

EXHIBIT A

EXECUTION VERSION

**AMENDED AND RESTATED
JOINT ENTERPRISE OPERATING AGREEMENT**

THIS AMENDED AND RESTATED JOINT ENTERPRISE OPERATING AGREEMENT (this "Agreement") is made this 30th day of March, 2009, but effective as of February 1, 2009 (the "Effective Date"), by and between J. C. Penney Corporation, Inc., a Delaware corporation ("JCP"), and Sephora USA, Inc., a Delaware corporation ("Sephora").

Recitals

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

1.1 General. JCP and Sephora hereby agree that the Parties shall open and operate Beauty Installations, that Sephora shall fulfill all Beauty Offering orders from JCP Websites and JCP Catalogs and that all of the rights and obligations relating to the Operations shall be subject to and governed by this Agreement. Unless the parties otherwise agree in writing, the Operations shall be limited to the purpose of opening and operating the Beauty Installations and fulfilling Beauty Offering orders from JCP Websites and through JCP Catalogs and nothing in the Agreement shall be construed to enlarge such purposes.

[REDACTED]

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[REDACTED]

* [REDACTED]

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2.1 Organization and Composition. JCP and Sephora have established an operating committee (the "Operating Committee") to determine overall policies, objectives, procedures, methods and actions under this Agreement. The Operating Committee consists of two members appointed by each of JCP and Sephora. The initial representatives for Sephora are its General Manager and its Divisional Merchandise Manager. The initial representatives for JCP are its Divisional Vice President and its President. The Operating Committee may change the number of members in the Operating Committee, provided that such committee shall consist of an equal number of members of each of JCP and Sephora. Each of JCP and Sephora may remove one or more of its appointed members of the Operating Committee and appoint substitutes at any time upon written notice to the other party. Any substitute so acting shall be deemed a member of the Operating Committee.

(b) Meetings. The Operating Committee shall hold regular meetings at least once per JCP Fiscal calendar quarter at a mutually agreed place. The parties shall rotate among themselves the notice obligation for all regular meeting and such notices shall require thirty (30) days' notice to the other party of such regular meetings. Sephora hereby agrees to be the first party to give notice of the first regular meeting after the Effective Date of this Agreement. Additionally, a party may call a special meeting upon five days' notice to the other party, provided that in the case of an emergency, a party may call a special meeting upon forty-eight (48) hours notice to the other party. Each notice of a meeting shall include an itemized agenda prepared by the party giving notice, but any matters may be considered with the consent of the parties. Members of the Operating Committee may participate in a meeting of the Operating Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence at the meeting. The parties shall rotate responsibility for the preparation of minutes for all meetings and shall distribute copies of such minutes to the parties within ten business days after the meeting. Each party shall pay its costs and expenses of having its personnel attend an Operating Committee meeting.

(c) Deadlock. If the Operating Committee is unable to reach a decision on any matter requiring such decision and the right to make such decision is not given to any one or more members or any operating subcommittee created by the Operating Committee (a "Deadlock"), no action shall be taken as to such matter, and no change in the exercise of rights or in the performance of obligations by any of JCP or Sephora as to such matter shall be made while the decision is subject to the Deadlock. Either JCP or Sephora may deem that a Deadlock exists by providing notice of the Deadlock to the other party. If neither party declares a matter to be a Deadlock within thirty (30) calendar days after the failure of the Operating Committee to reach a decision, the matter shall automatically be deemed to be a Deadlock. If either party believes in good faith that any Deadlock is material (whether quantifiable or not), then that party may refer the matter to a senior operating committee, which shall consist of the CEO of Sephora and the CEO of JCP, or such other person as either party may designate as its senior operating

representative (the “Senior Operating Committee”). A referral to the Senior Operating Committee must be made by written notice by one party to the other. If neither JCP or Sephora formally refers the Deadlock to the Senior Operating Committee, the matter shall remain unresolved and the *status quo* will be maintained until such time as the Deadlock is resolved or the parties otherwise agree to abandon the Deadlock.

(d) Arbitration. For any matters referred to the Senior Operating Committee, the members of the Senior Operating Committee shall engage in good faith negotiations in an attempt to resolve any Deadlock. In the event that the Senior Operating Committee is unable to reach an agreement relating to the Deadlock after such good faith negotiations, then within twenty (20) days of receipt of notice of the failure of the Senior Operating Committee to reach a satisfactory resolution of such Deadlock, a party may give the other party notice as to whether such party elects to proceed to binding arbitration, subject to the termination rights set forth below in Section 2.2 (e). In such case, the matter shall then be referred to binding arbitration to be conducted under the auspices of the American Arbitration Association (“AAA”). Any arbitration pursuant to this Agreement shall be conducted before a panel consisting of three (3) arbitrators. Each party shall appoint one arbitrator to the panel and the two selected arbitrators shall then appoint the third arbitrator, all in accordance with the Commercial Arbitration Rules of the AAA or as such rules are modified by the agreement of the parties. All members of the arbitration panel, including the member selected by the other two members, shall be experienced in United States retailing business. If a party fails to name its arbitrator within ten (10) days after the date a demand to arbitrate is made by a party, the AAA shall make the appointment of the arbitrator, using the same qualification standards. Should any of the arbitrators appointed become unable to act before a decision is given, the vacancy shall be filled by the method set forth for the original appointment. The arbitration shall be held in the State of New York, applying the substantive law applicable to this Agreement, except that the arbitrator shall not be empowered to award damages in excess of actual damages. The use of any alternative dispute resolution procedure will not be construed, under the doctrine of laches, waiver or estoppel, to adversely affect the rights of either party. Nothing in this Section 2.2(d) shall prevent either party from resorting to a judicial proceeding before the courts to which the parties have submitted exclusive jurisdiction and venue if interim relief is necessary to prevent serious and irreparable injury to one of the parties. Further, judgment on the arbitration award may be entered in such courts. For the avoidance of doubt, the parties acknowledge and agree that during the pendency of any Deadlock during the arbitration procedures, the *status quo* regarding the subject matter of the issue will remain unaffected.

(e) Termination After Arbitration. Upon receipt of an arbitration decision pursuant to Section 2.2 (d) above, a party may elect to terminate this Agreement by giving notice to the other party within thirty (30) calendar days of receipt of the arbitrator’s final written decision.

(i) A party electing to terminate this Agreement pursuant to this provision shall pay an additional amount to the other party equal to fifty percent (50%) of the terminating party’s Operating Profit as reflected on the Profit and Loss Report for the last completed fiscal year.

(ii) The arbitration panel shall also designate in its decision either:

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- (A) that because the party calling for the arbitration did not prevail on the majority of issues submitted to arbitration, that party will bear, outside of the Profit and Loss Report, the full cost of the arbitration proceeding , or
- (B) that because the party calling for the arbitration proceeding prevailed on the majority of issues, the cost of the arbitration proceeding shall be charged to the Profit and Loss Report.
- (C) For purposes of the foregoing, “the cost of the arbitration proceeding” shall mean fees and costs directly relating to the arbitration panel. Each party shall bear any fees and costs of its own legal counsel (as well as any experts hired on its behalf),

2.3 Operating Plan. For each JCP Fiscal Year, the Operating Committee shall establish and oversee an annual operating budget and plan for the SiJCP Beauty Business, which duties shall include without limitation establishing financial and operating goals and performance and expansion plans, monitoring actual results against such budget and plans on a monthly basis, reviewing major changes, monitoring and responding to competitive activities, identifying the implications of market trends, sponsoring improvement opportunities, identifying potential SiJCP locations to ensure optimal market coverage in order to optimize SiJCP’s profitability and resolving any disputed issues between JCP and Sephora with respect to such budget and plans. Such budget and operating plan for the JCP Fiscal Year shall be presented to the Operating Committee in a preliminary form by September 30th of the preceding year and it shall be finalized by the Operating Committee no later than the first day of the next JCP Fiscal Year.

[REDACTED]

2.4 Other Duties. The Operating Committee shall establish, direct and oversee the following:

(a) Beauty Installation design, location and environment, which Beauty Installation shall include Sephora’s signature trade dress and the necessary animations, merchandise updates, retrofits and fixtures necessary for promoting the SiJCP Beauty Business and to the extent possible, maintain the experience of Sephora retail stores, subject to the provisions of Section 2.4(c). Beauty Installation costs will be reviewed and approved annually by the Operating Committee and will be consistent with the approved budget. The parties anticipate that Beauty Installations will be 1500-2000 square feet in size, and will be located in a prominent location in order to benefit from the highest possible foot traffic. The Operating Committee shall develop a process of selecting locations for Beauty Installations in a manner that will optimize market share while minimizing the impact on any overlapping Beauty Installations or Sephora retail stores; provided, however, that the location of any Beauty Installation must be approved by both JCP and Sephora, which approval may be granted or withheld in either party’s sole discretion. The Operating Committee shall oversee the development of a small market strategy

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to determine over time if certain small markets can sustain both a small box format Sephora store (which JCP understands Sephora is developing) and a Beauty Installation within the same mall or trade area. The parties agree that new Beauty Installations should be opened at a rate consistent with Schedule 8 or such other growth as determined appropriate by the Operating Committee;

[REDACTED]

(d) Subject to Section 7.10, promotion and marketing plans; provided, however, that the Beauty Installation will be excluded from JCP's store-wide promotions;

(e) Brand selection and assortment, for which Sephora shall be responsible for the selection of the third-party vendors that shall supply Beauty Offerings of the Beauty Installation, the brand relationships with such vendors, margin negotiations with such vendors, and the coordination of assortment of such Beauty Offerings. Sephora shall consult with JCP on JCP's forecast and buying plans to ensure each Beauty Installation shall have sufficient supply to satisfy budget and operating plans ;

[REDACTED]

(i) Employment of Beauty Installation Associates, for which JCP, with limited input and advice from Sephora, shall control employment decisions, including selection, compensation, employment, discipline and termination;

(j) Training programs tailored specifically for Beauty Installation Associates developed jointly by the parties, which programs shall be instructed by employees or agents of Sephora with oversight by JCP; provided, however, that Sephora will be responsible for determining and conducting all brand, product and selling skills trainings, and JCP will be responsible for determining and conducting all leadership and developmental training;

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[REDACTED]

[REDACTED]

(m) Overhead needs for the SiJCP Beauty Business including, but not limited to, leadership, support and staffing dedicated to the SiJCP Beauty Business;

[REDACTED]

(o) Financial and operating reports within ten (10) business days from JCP's month-end close, consisting of a P&L in the form attached as Exhibit A (or as otherwise determined by the Operating Committee) (the "Profit and Loss Report"), and a settlement statement and such other *ad hoc* statements as the parties shall mutually agree upon;

[REDACTED]

[REDACTED]

(r) Collective negotiation and bargaining with third party vendors in order to obtain advantageous pricing, including all allowances, for materials and services to be generated on behalf of or utilized by the SiJCP Beauty Business;

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

4.2 Limited Exclusivity

(a) JCP Agreements. *new*

(i) During the Term, from the time a Beauty Installation opens for business in any JCP store, the Beauty Installation will be the exclusive source of Beauty Offerings within such JCP store with the exception of the “Excluded Beauty Offerings” as set forth in Schedule 2. The parties acknowledge and agree that nothing contained in this Agreement shall be interpreted or construed to require JCP to open a Beauty Installation inside a particular JCP store.

Schedule 2
[REDACTED]

[REDACTED]

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[REDACTED]

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7.3 Standard of Care. Both parties shall conduct the SiJCP Beauty Business in a good, workmanlike and efficient manner, in substantial accordance with the standards and practices of Sephora retail stores, and in substantial accordance with the terms and provisions of

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leases, licenses, permits, contracts and other agreements pertaining to the SiJCP Beauty Business.

[REDACTED]

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9.1 Termination Events. This Agreement shall terminate upon occurrence of any the following:

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[REDACTED]

[REDACTED]

[REDACTED]

(e) a termination in accordance with the provisions of Section 2.2 (e).

Any termination under this Section 9.1 shall be referred to as a "Termination."

[REDACTED]

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defending a Third Party Claim shall timely provide to the other party all such information

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12.2 Employees; Agents; Subcontractors. JCP shall maintain complete control over its employees including Beauty Installation Associates, its agents and its subcontractors with respect to performance of the Operations. Nothing contained in this Agreement, any of the Initial Agreements or any other agreement (including any subcontract awarded by JCP) shall create any contractual relationship between any JCP employee including any Beauty Installation Associate, any agent or any subcontractor, on the one hand, and Sephora, on the other hand.

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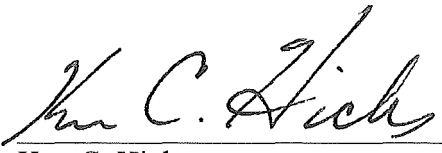
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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives effective as of the date first written above.

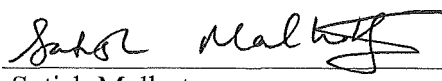
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J. C. PENNEY CORPORATION, INC.

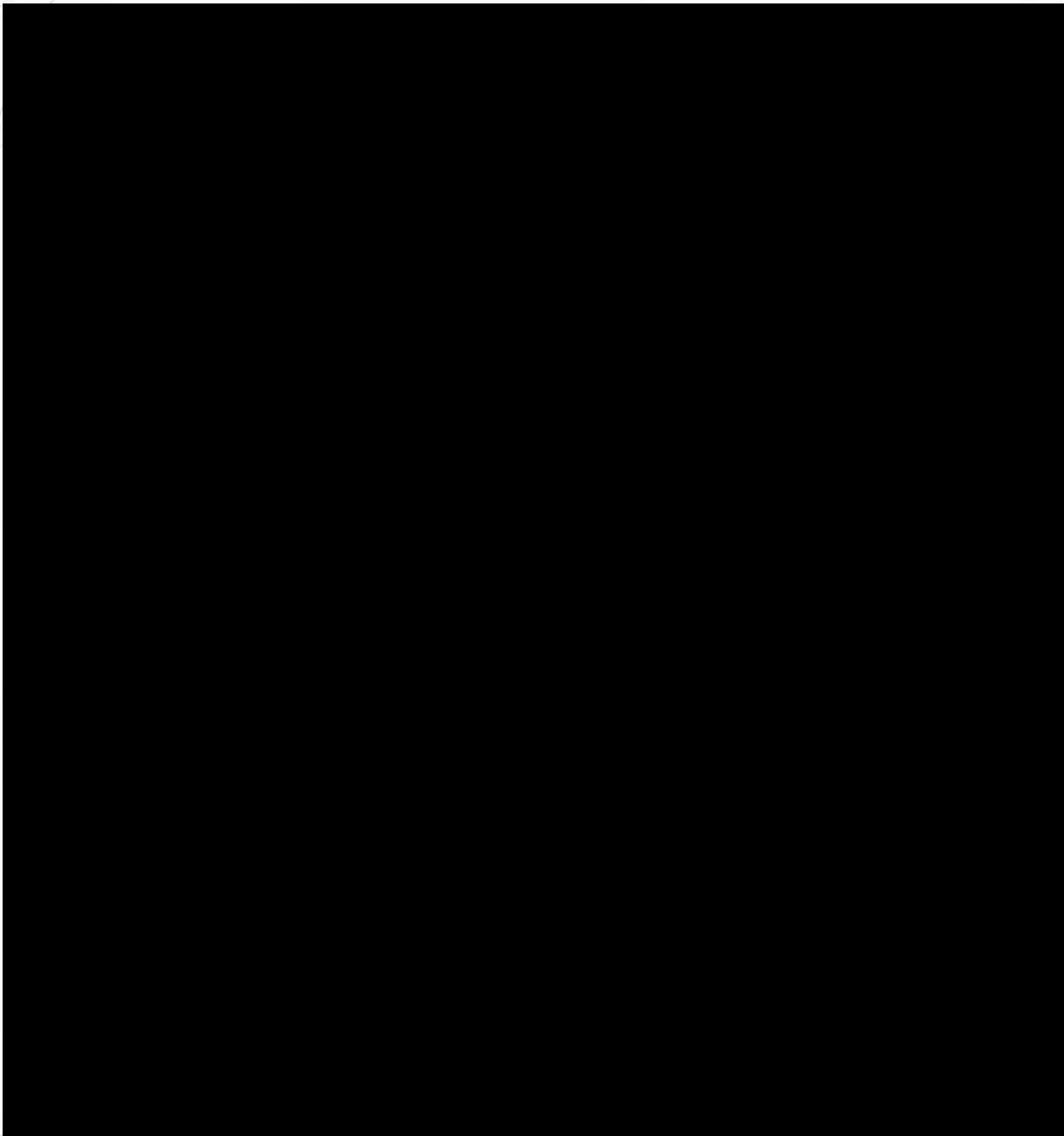
By: 
Ken C. Hicks
President and Chief Merchandising
Officer

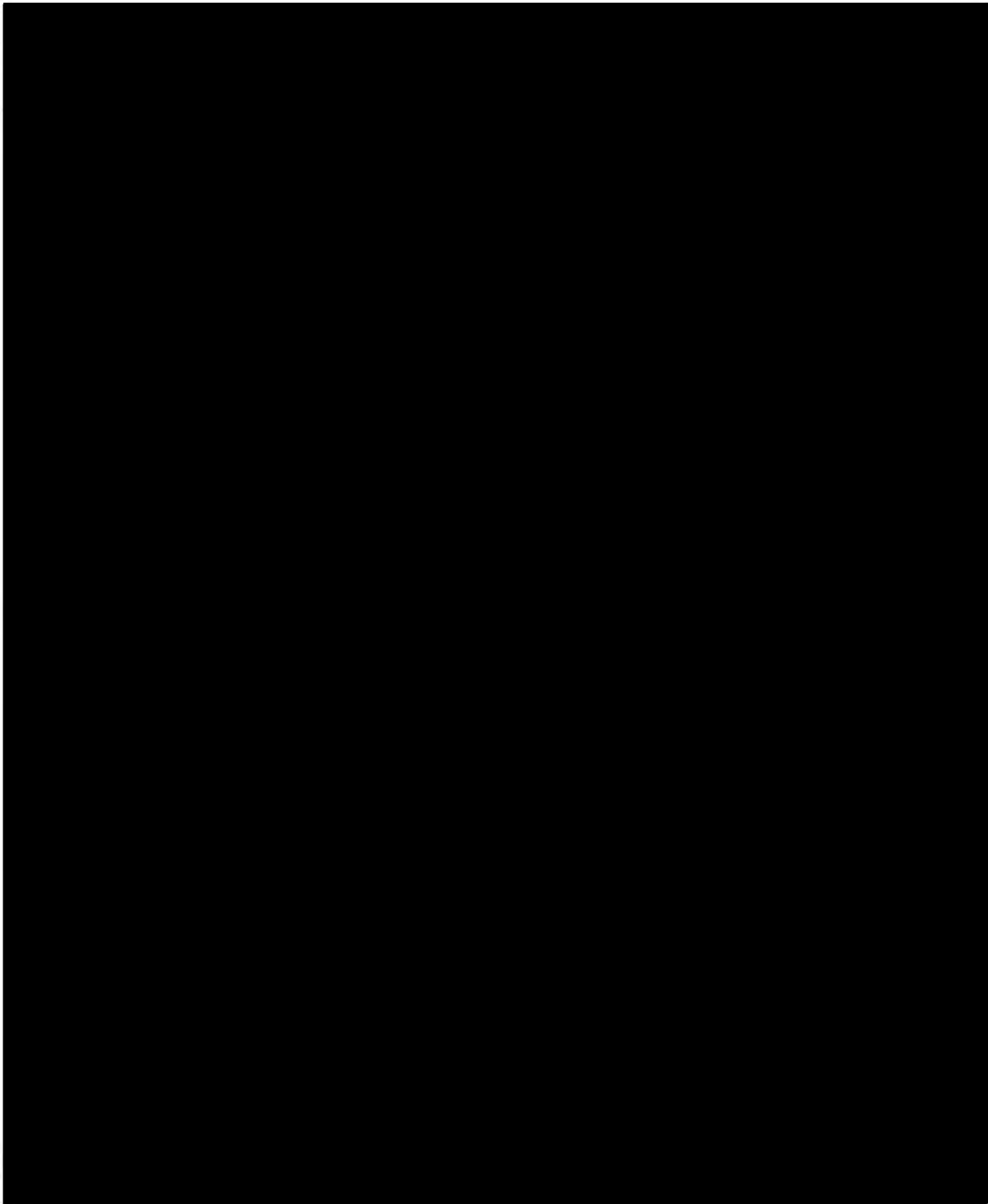
Sephora:

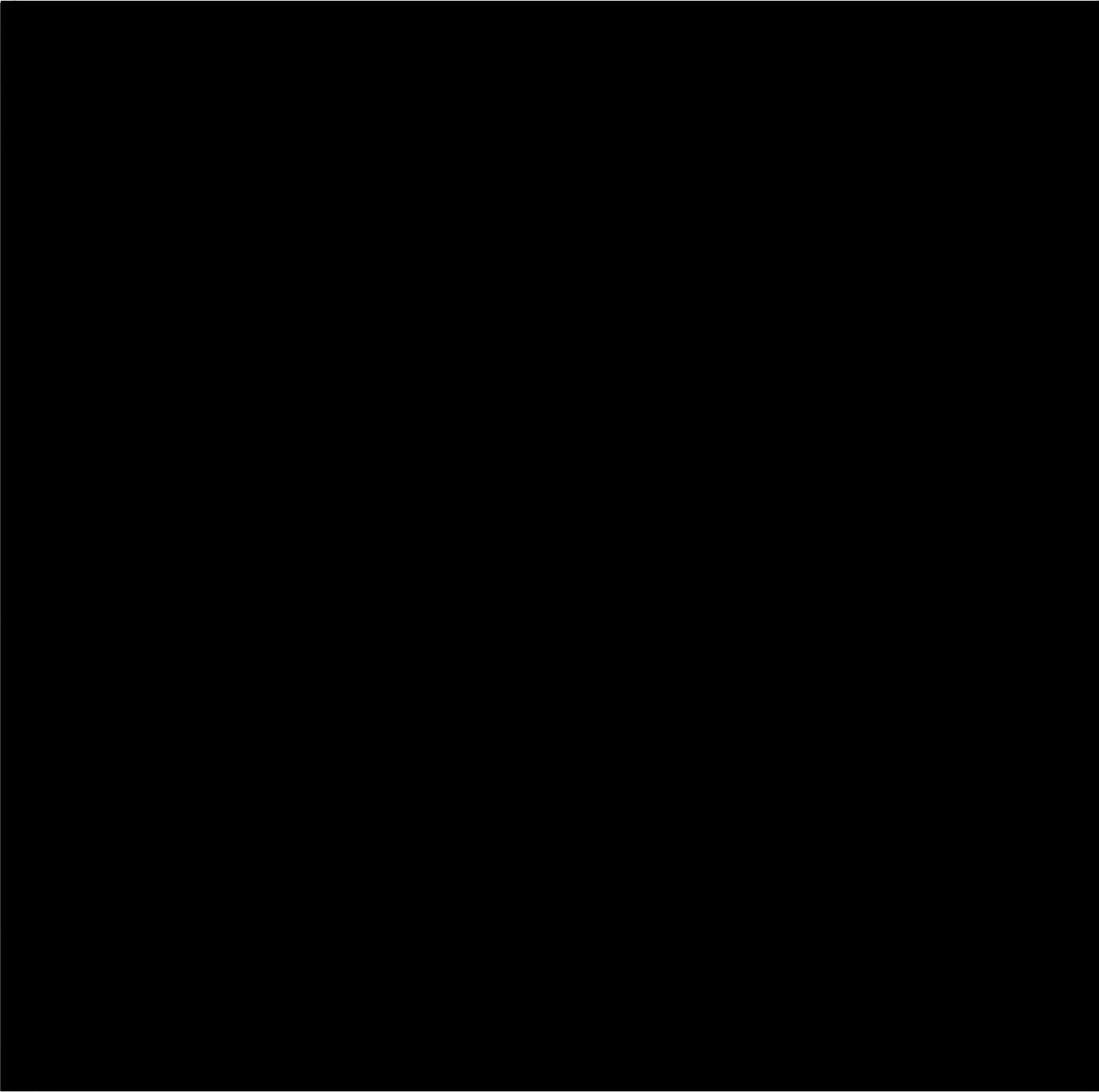
SEPHORA USA, INC.

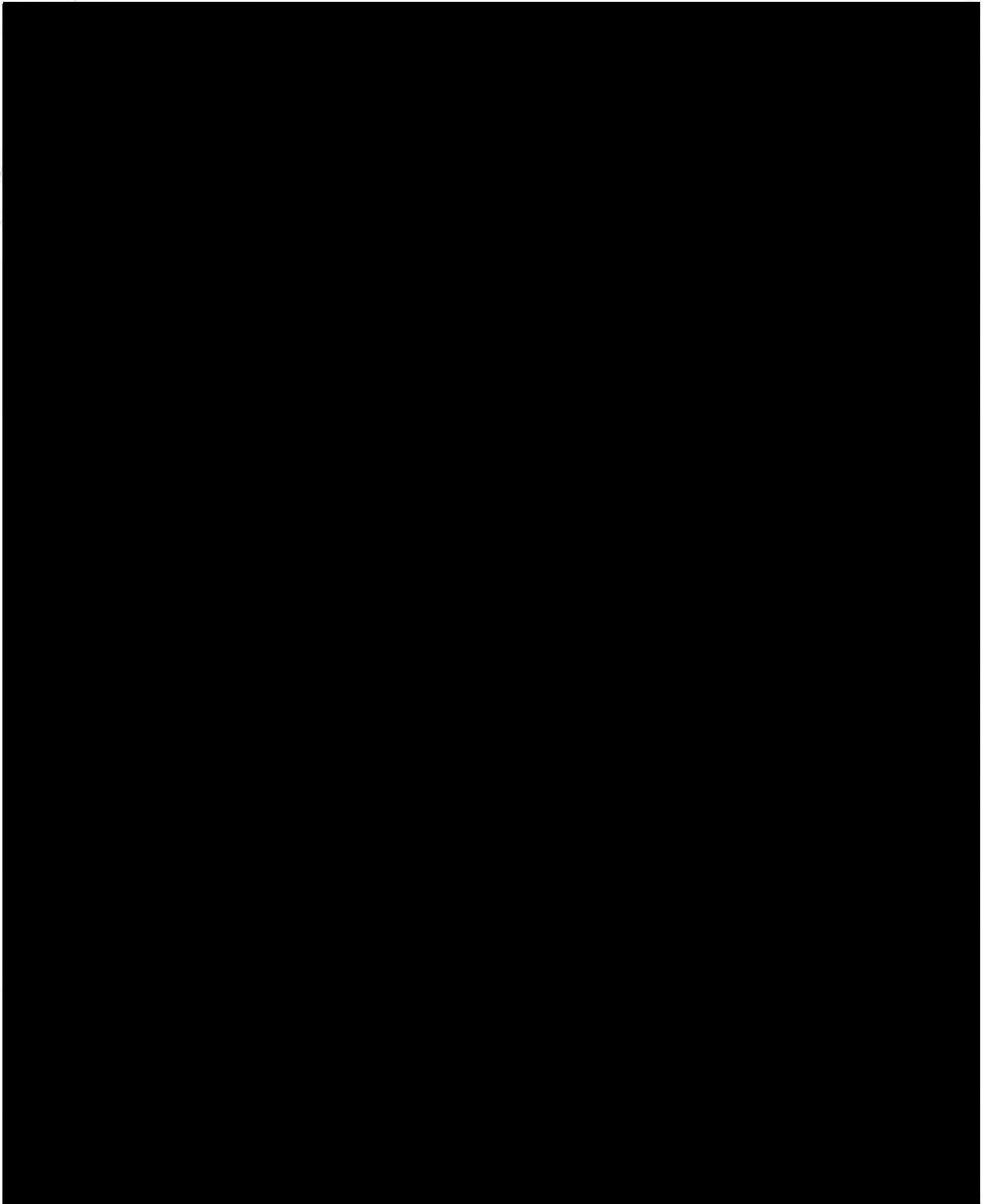
By: 
Satish Malhotra
Senior Vice-President and General Manager, SiJCP

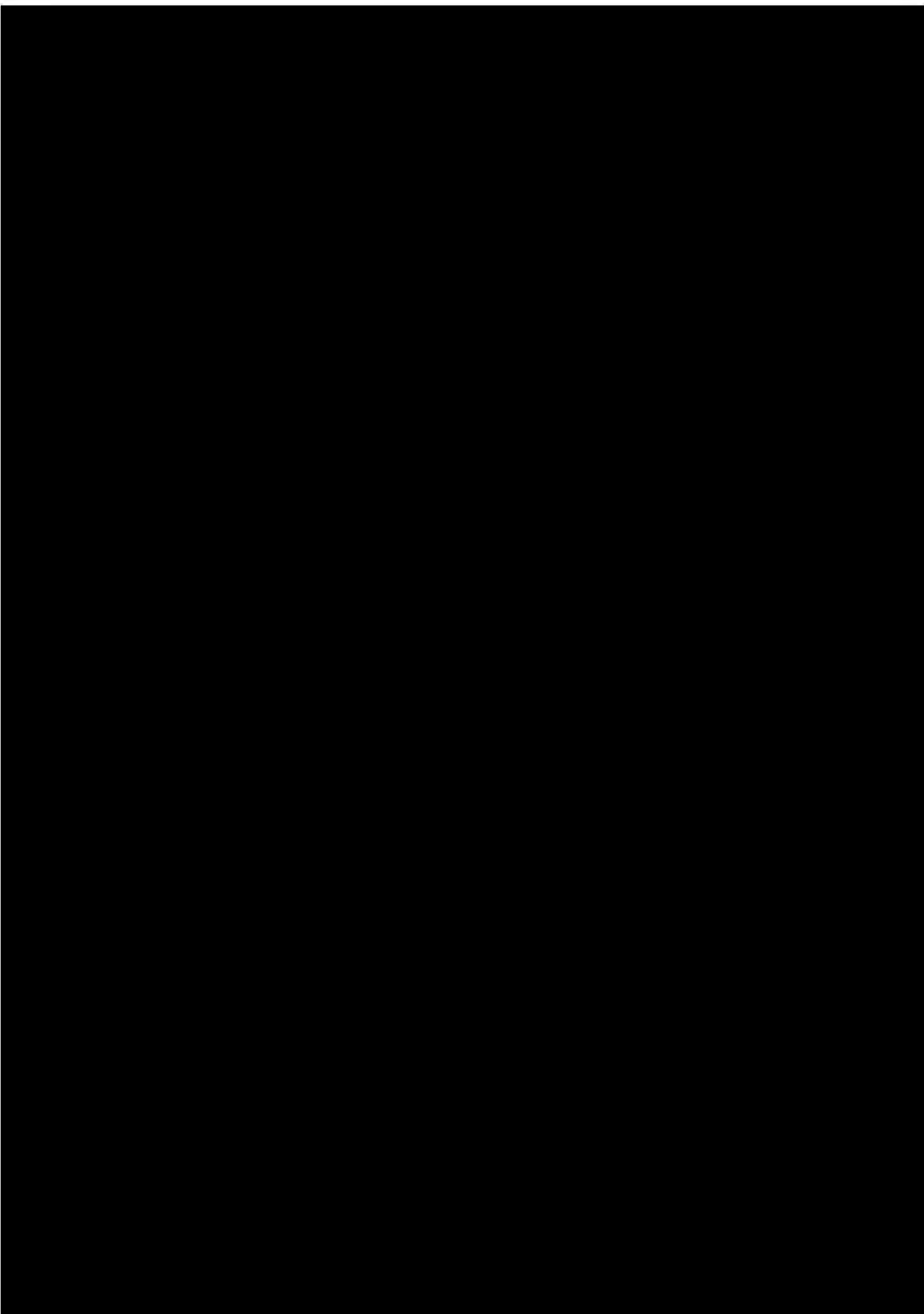




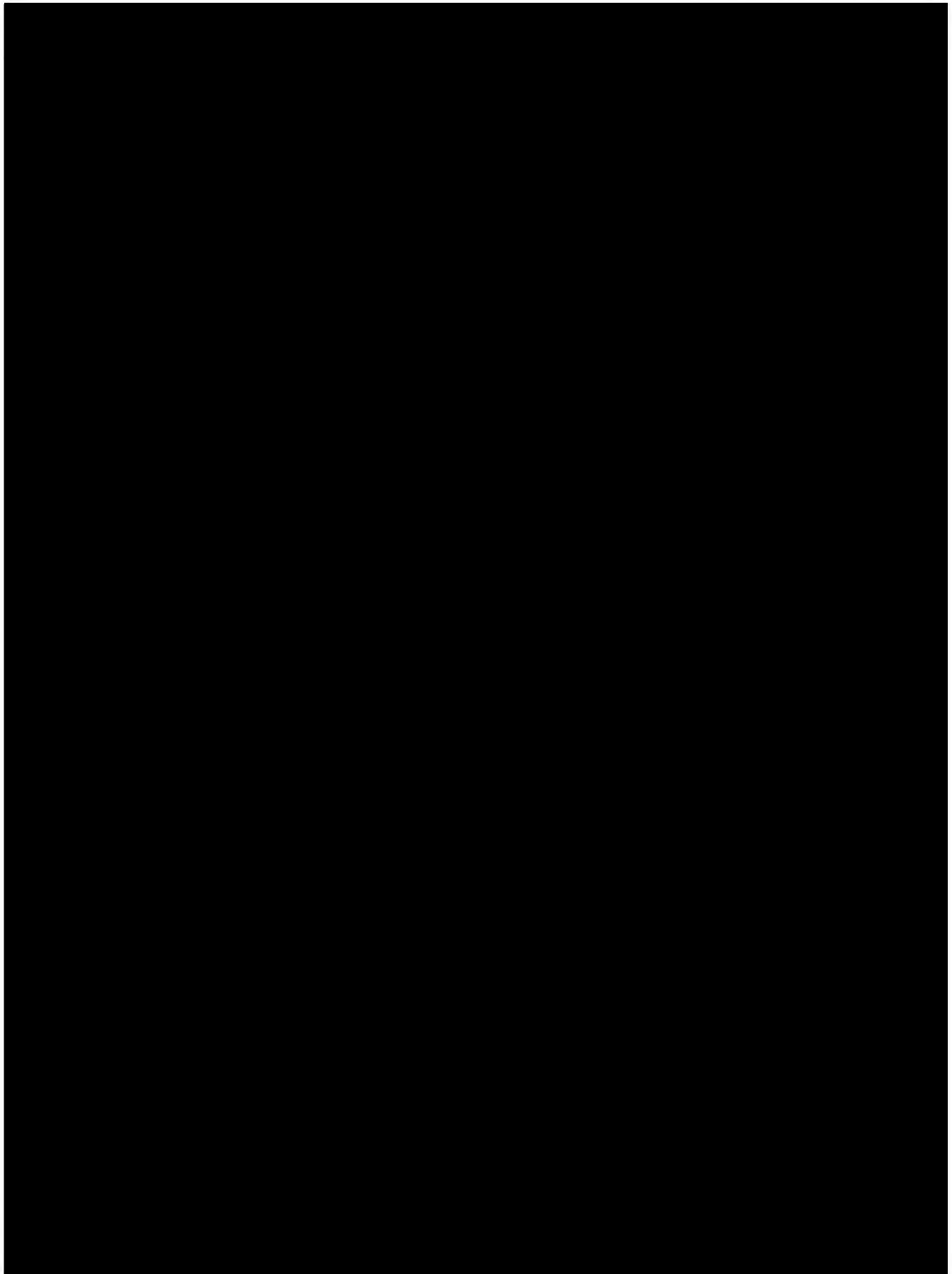




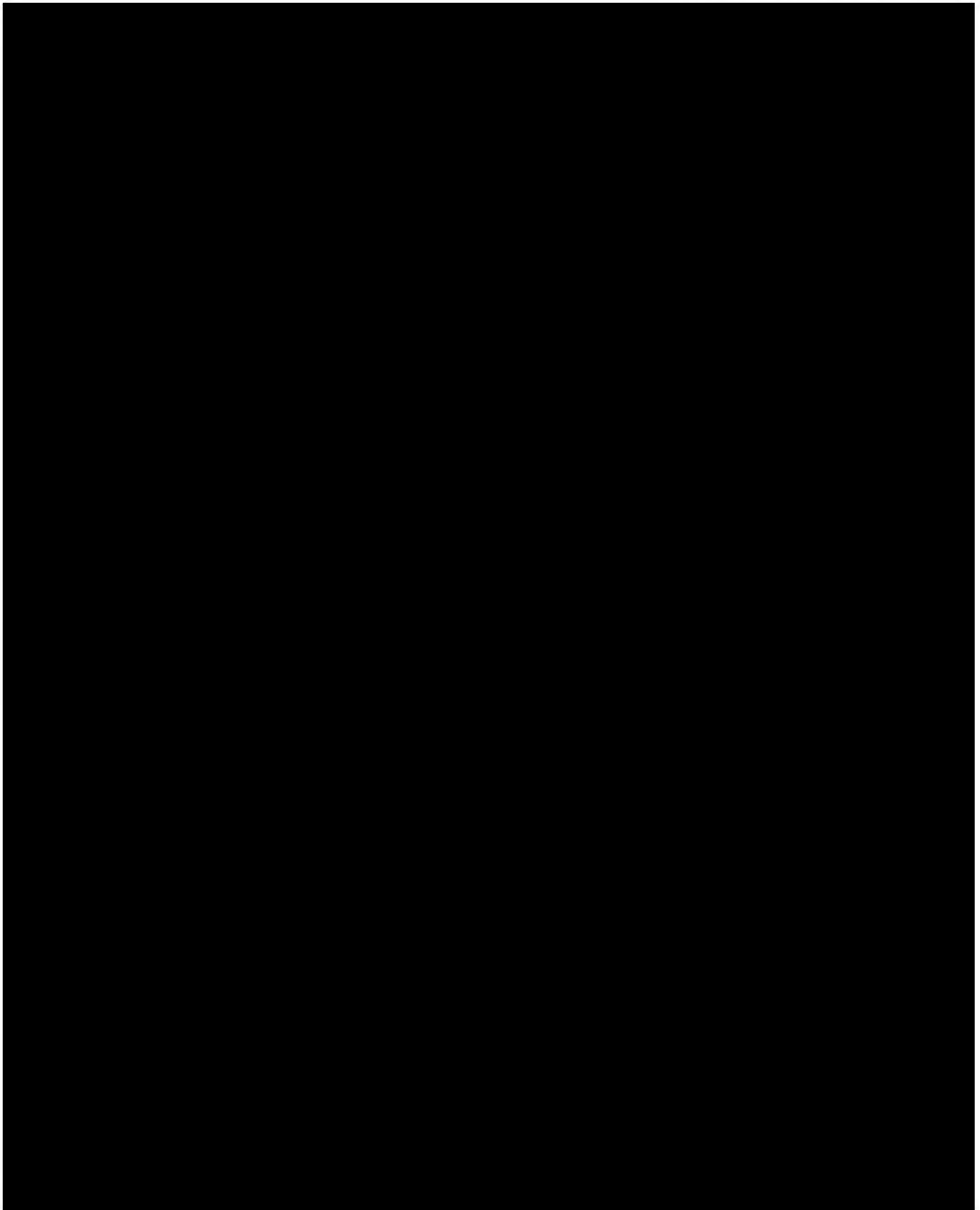




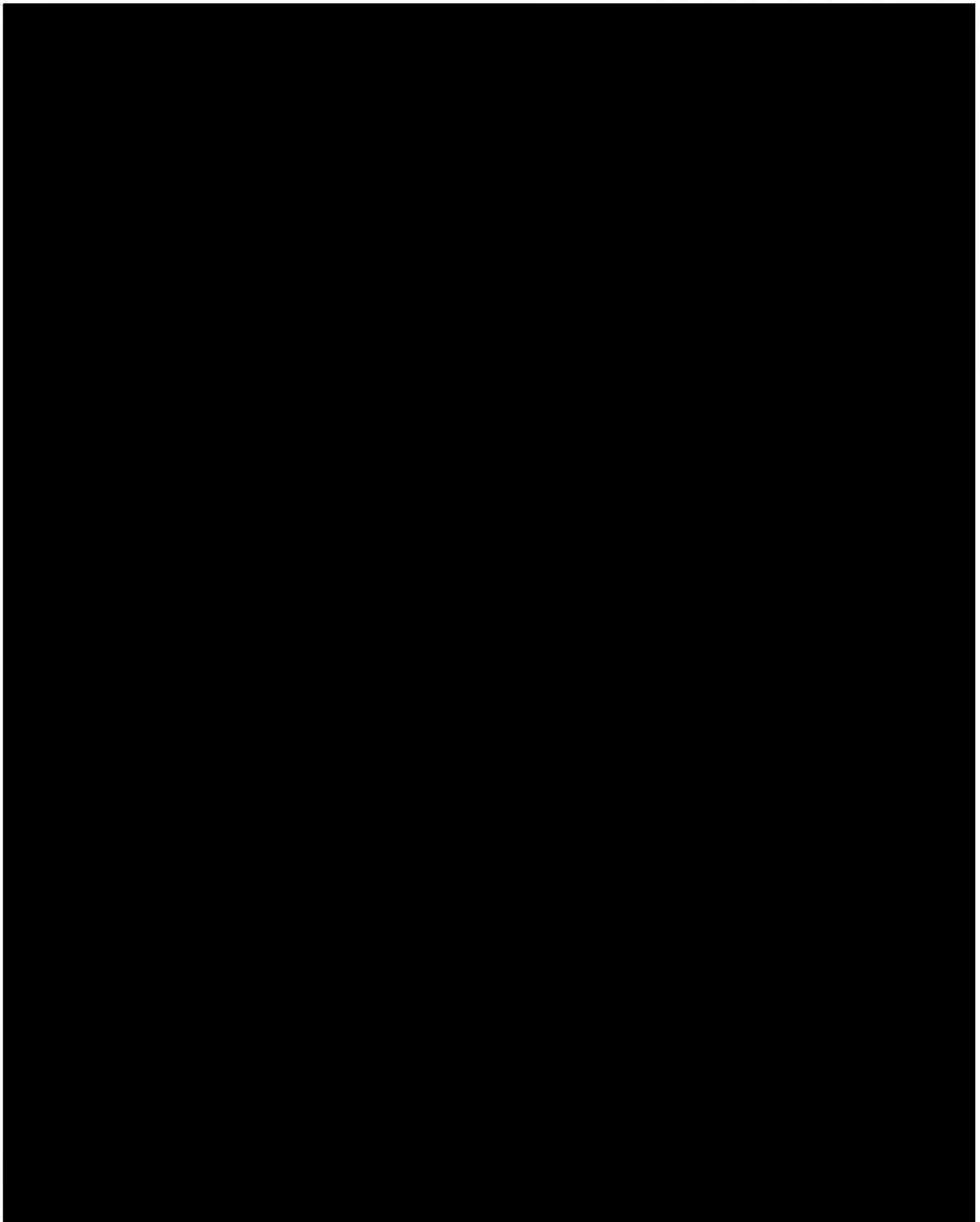
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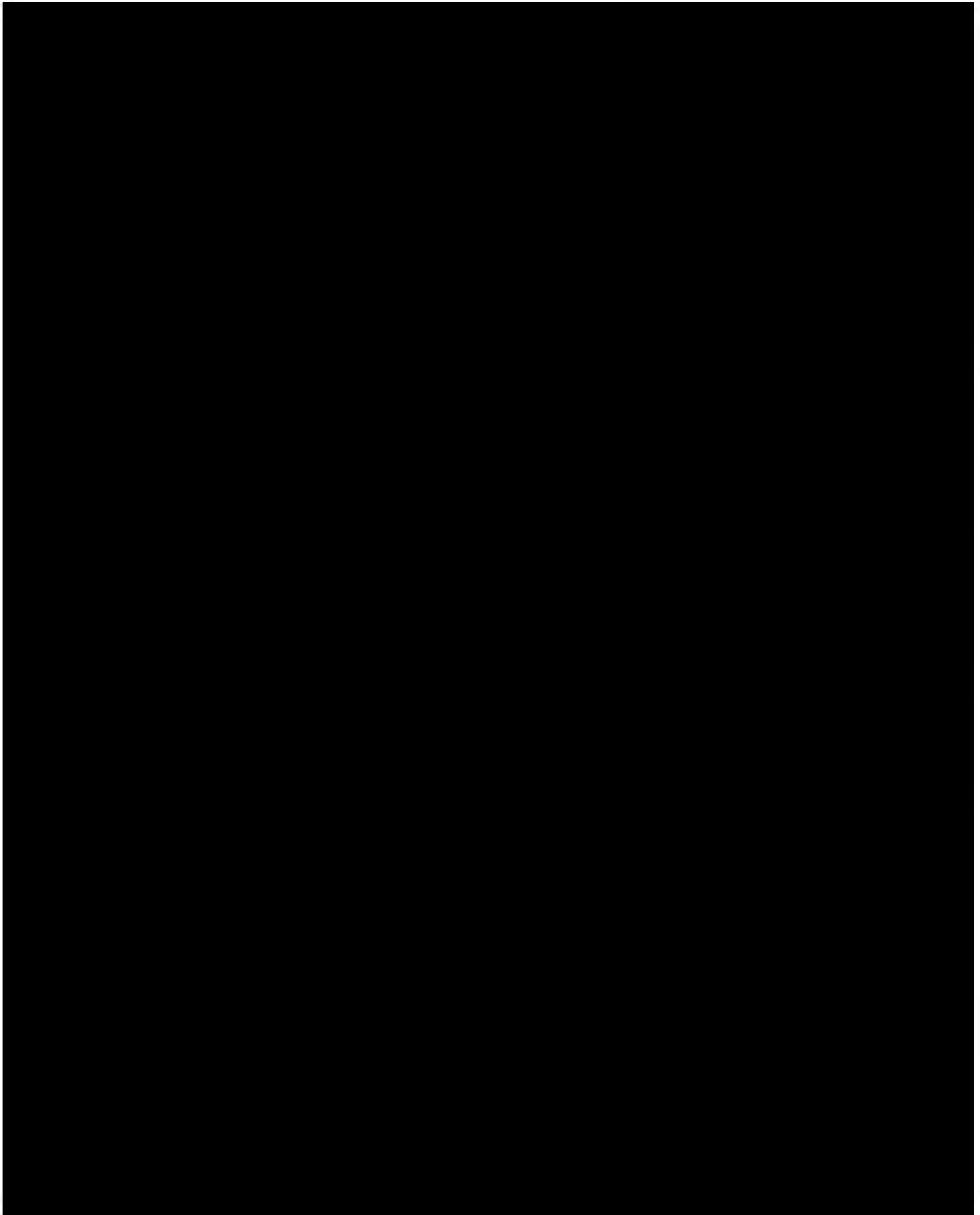
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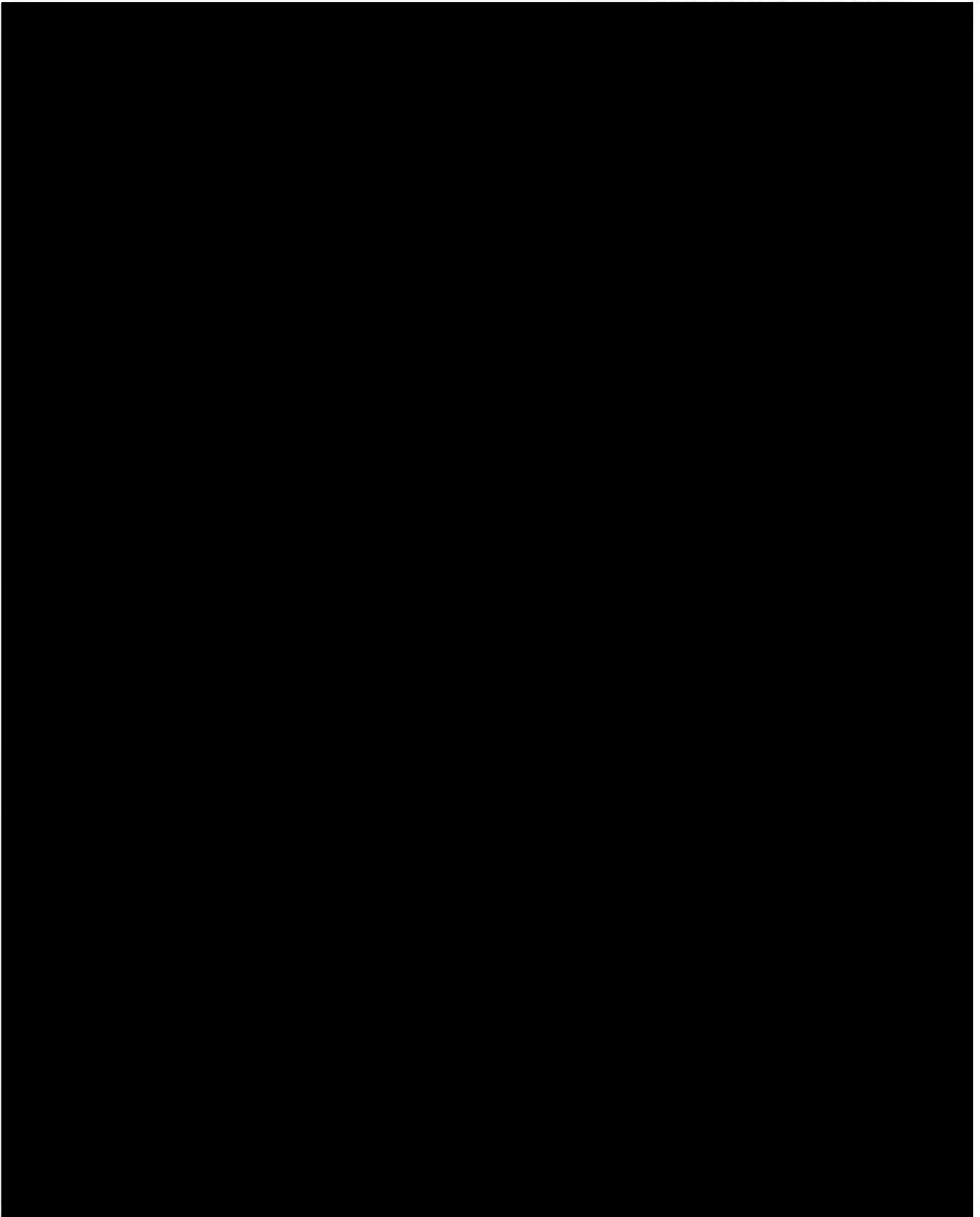
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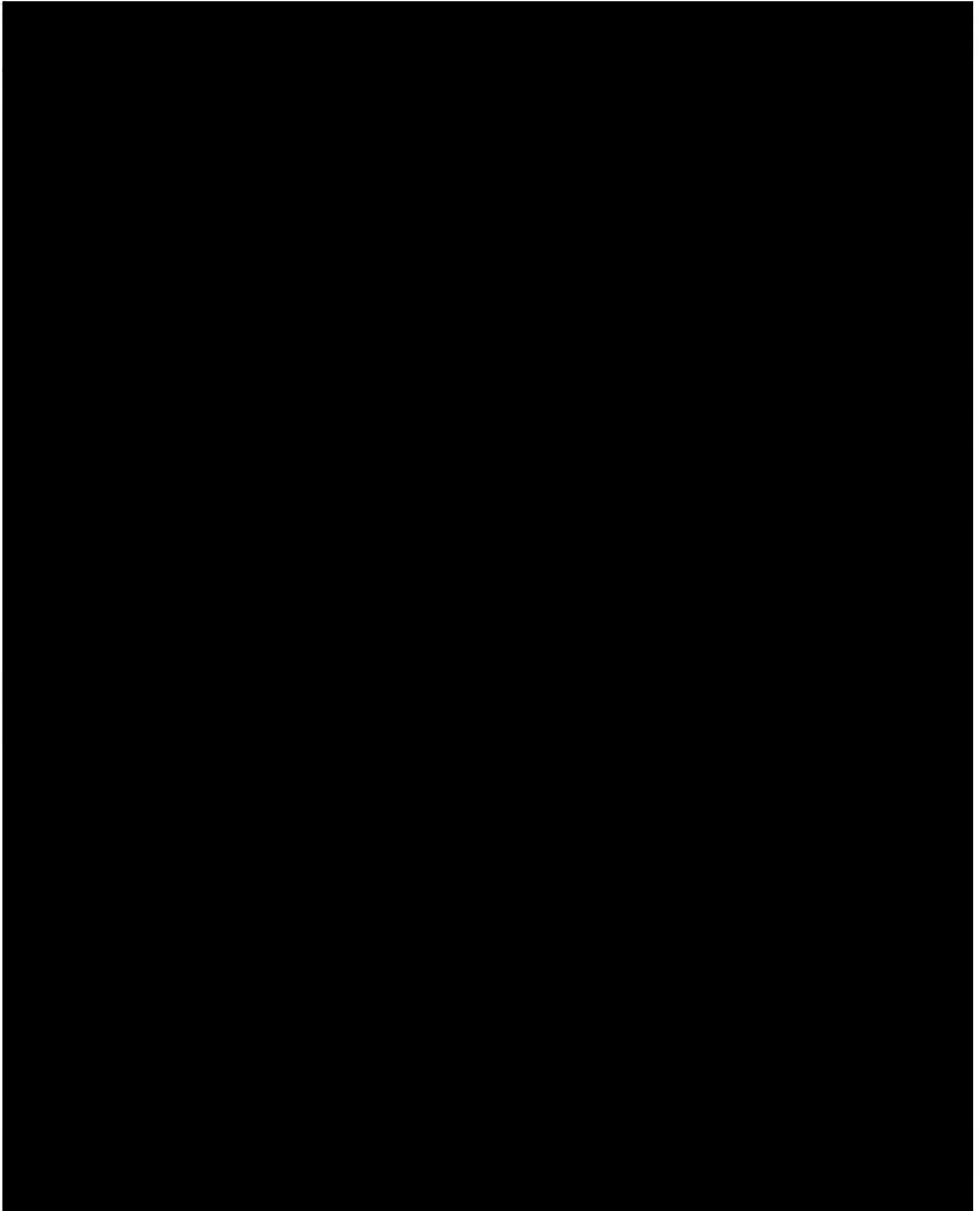
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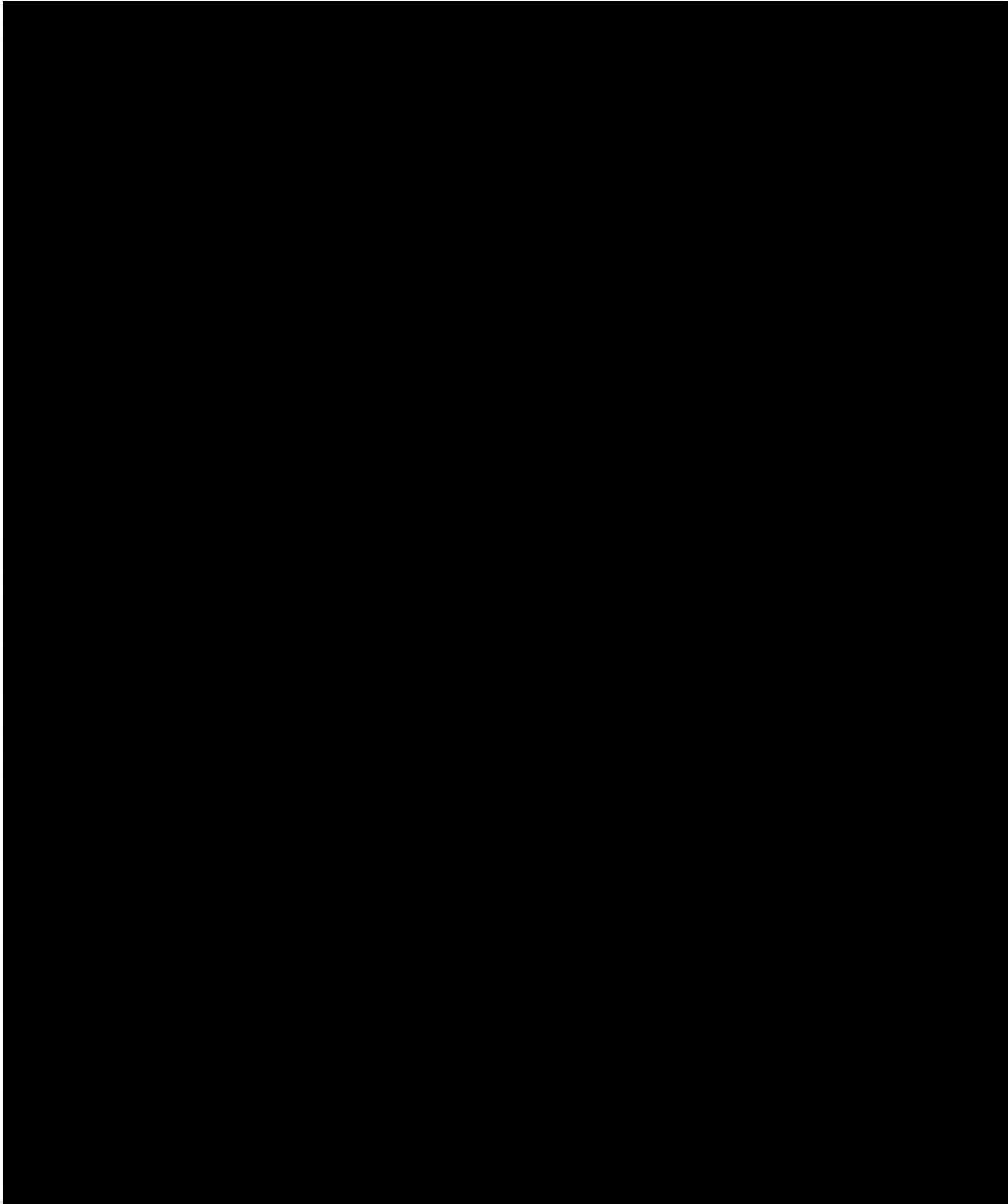


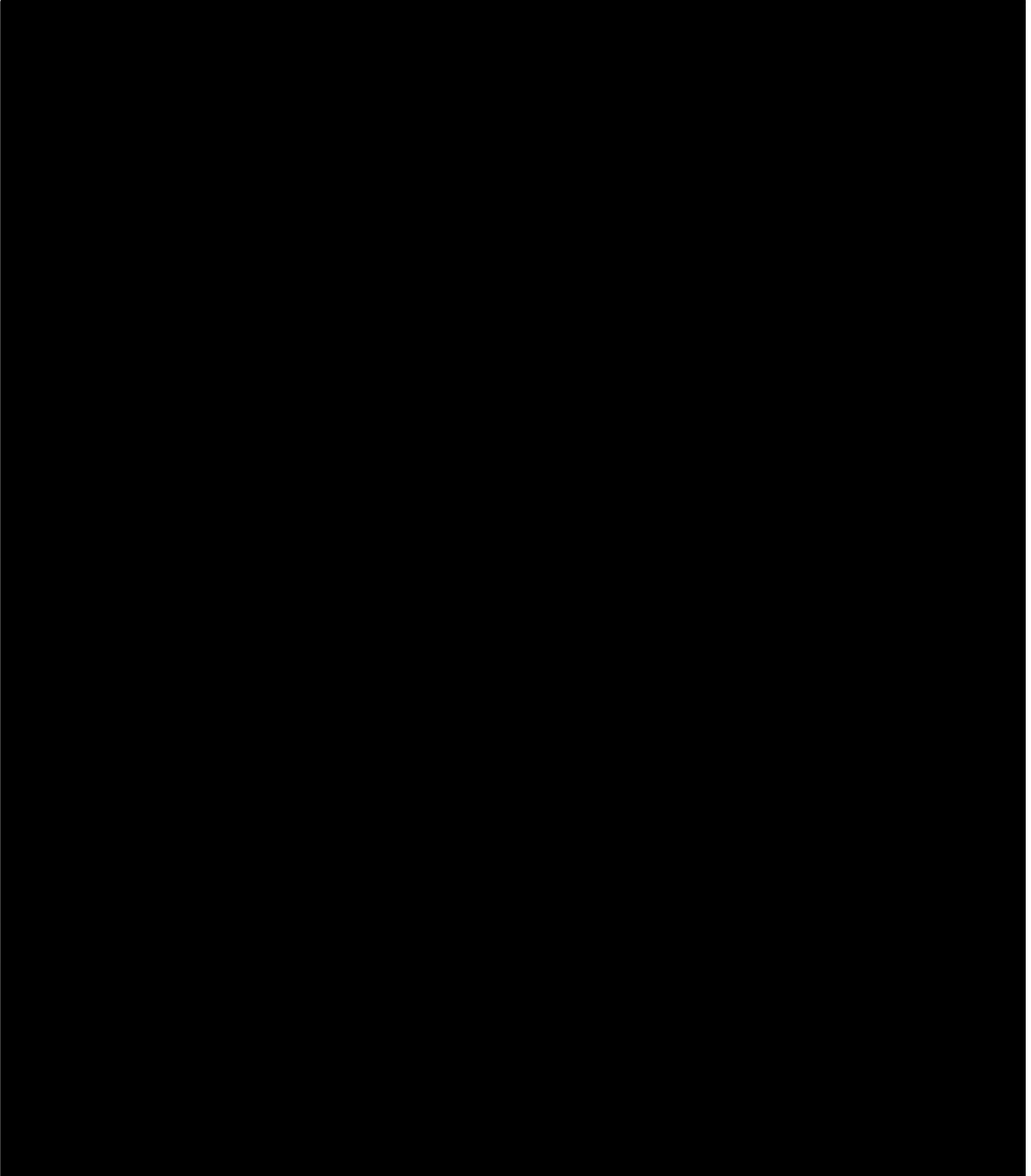
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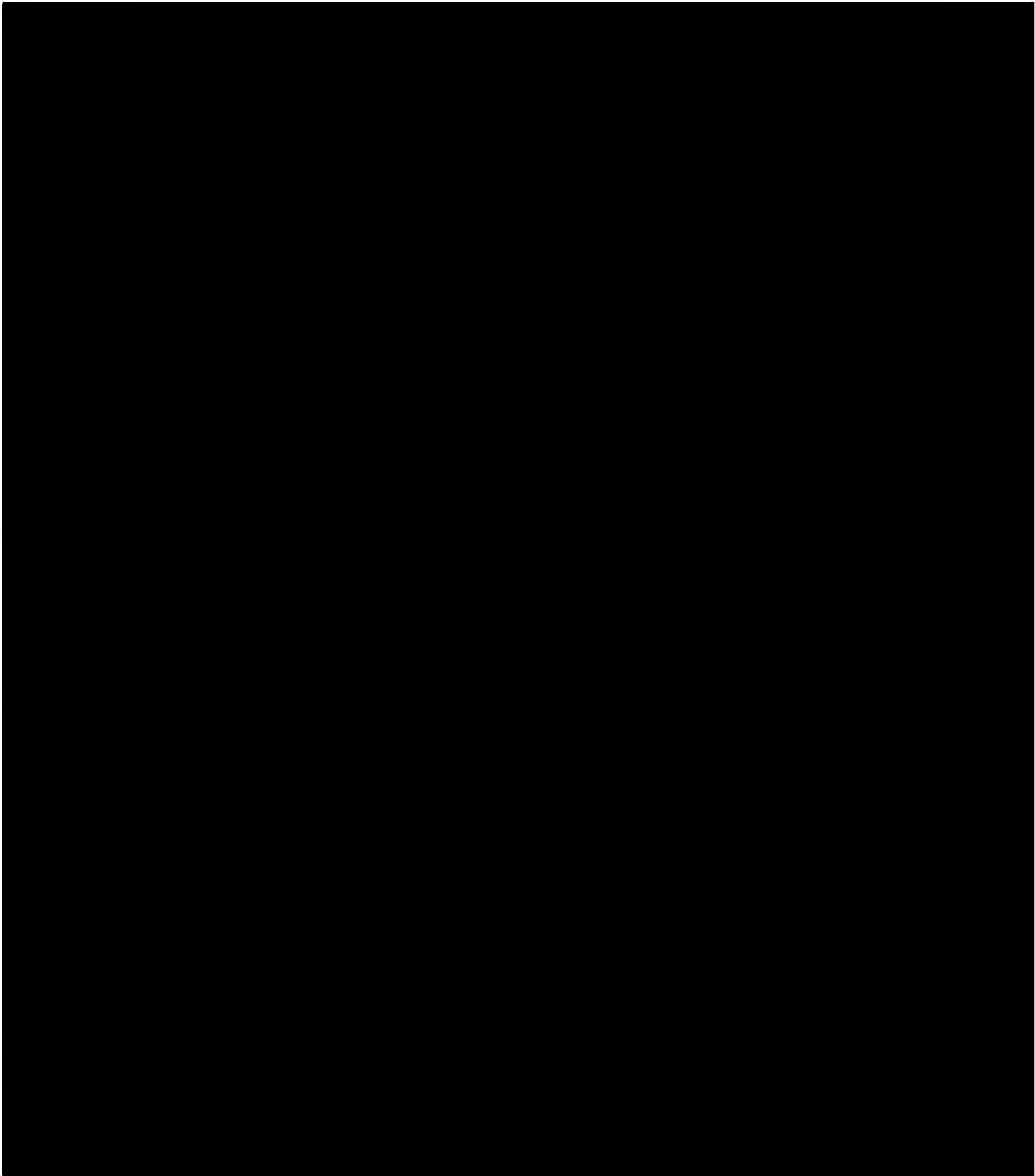


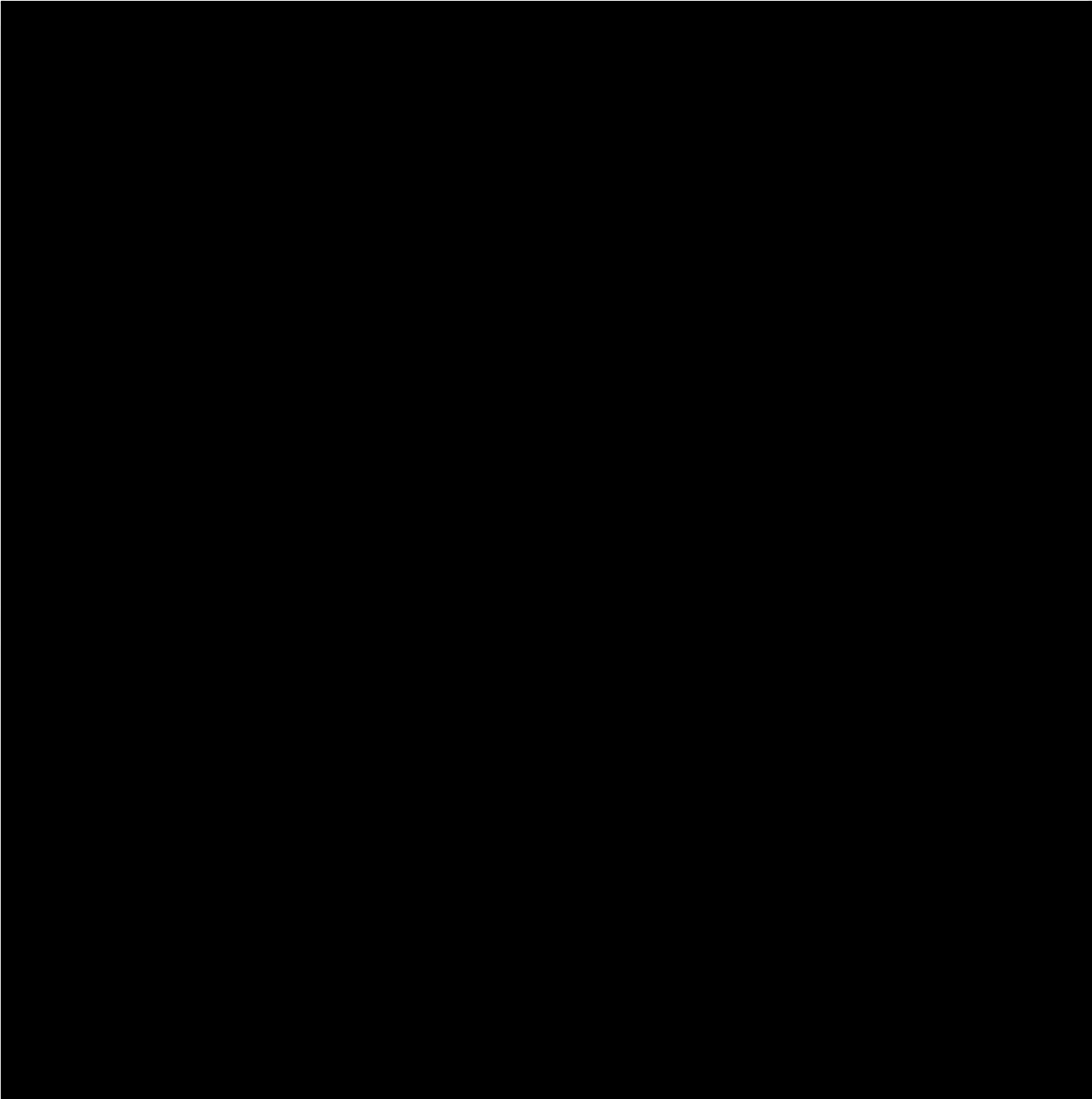


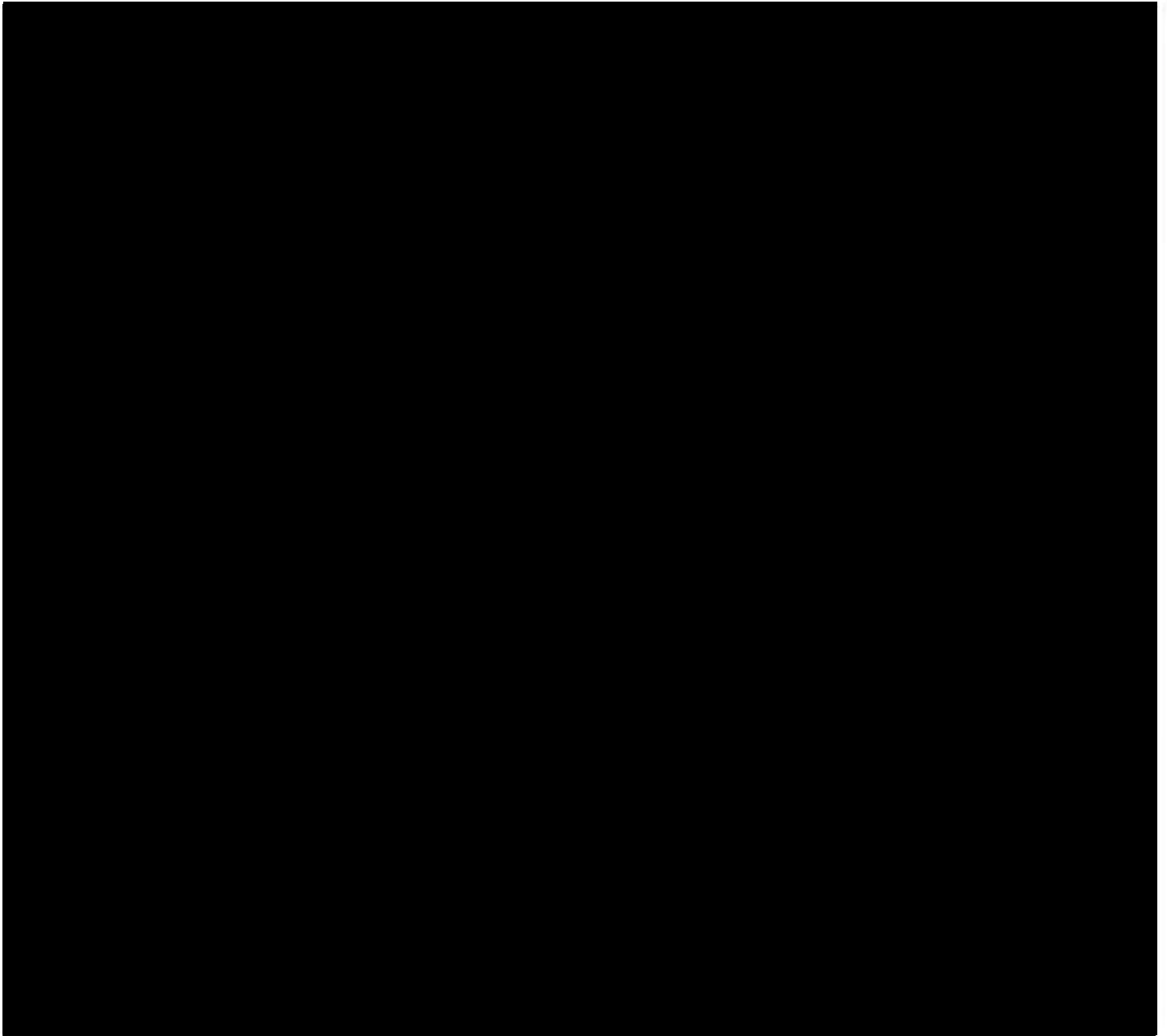


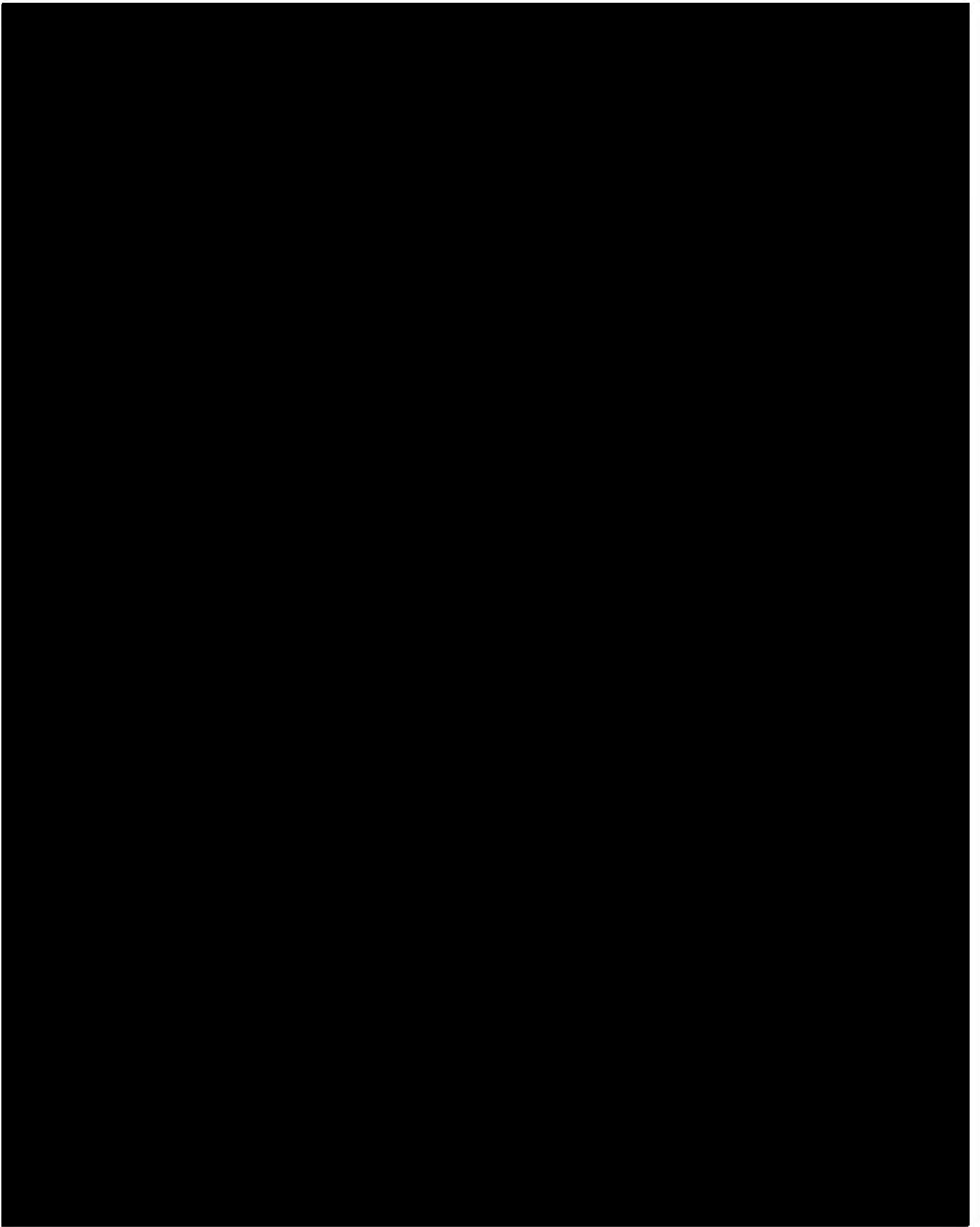








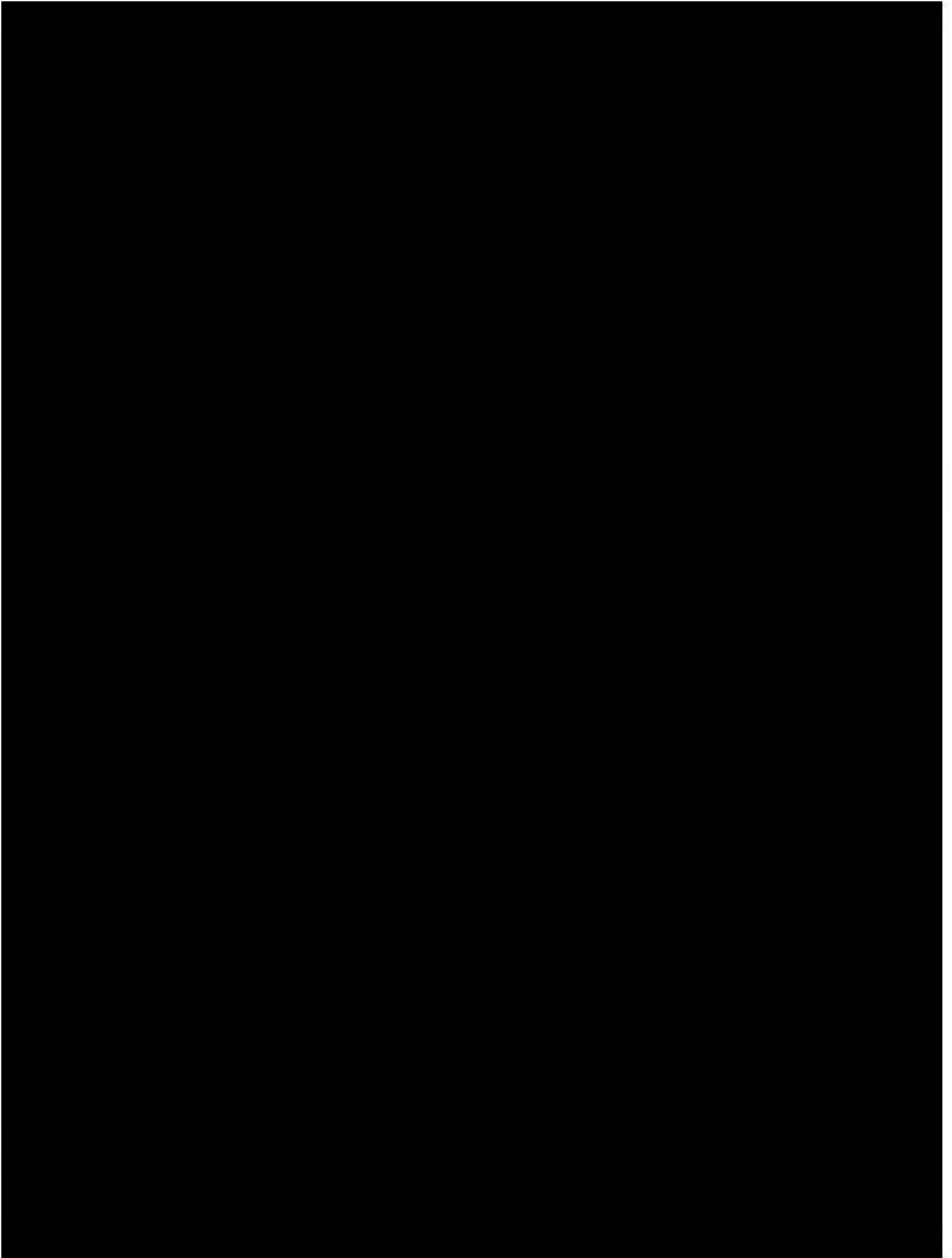


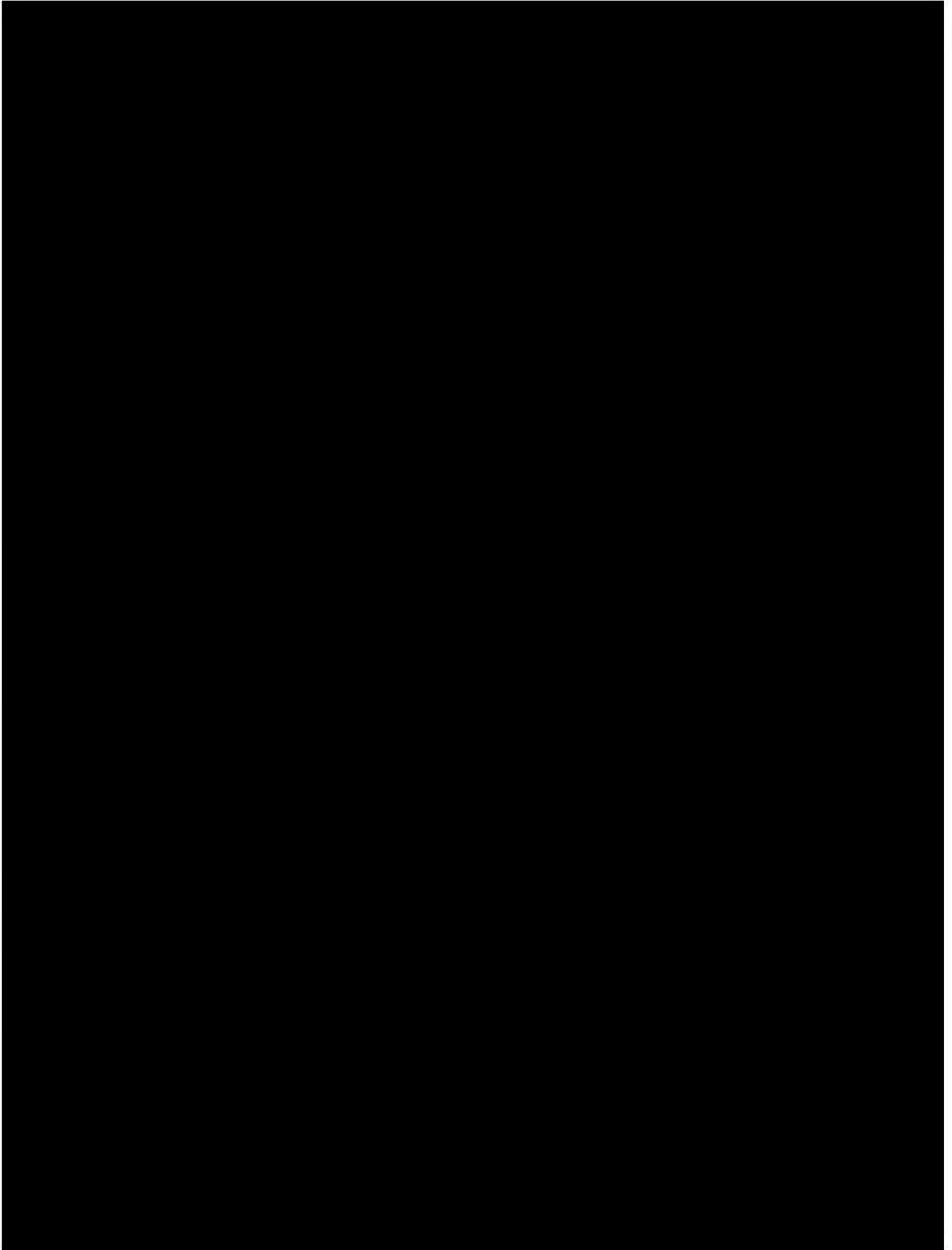


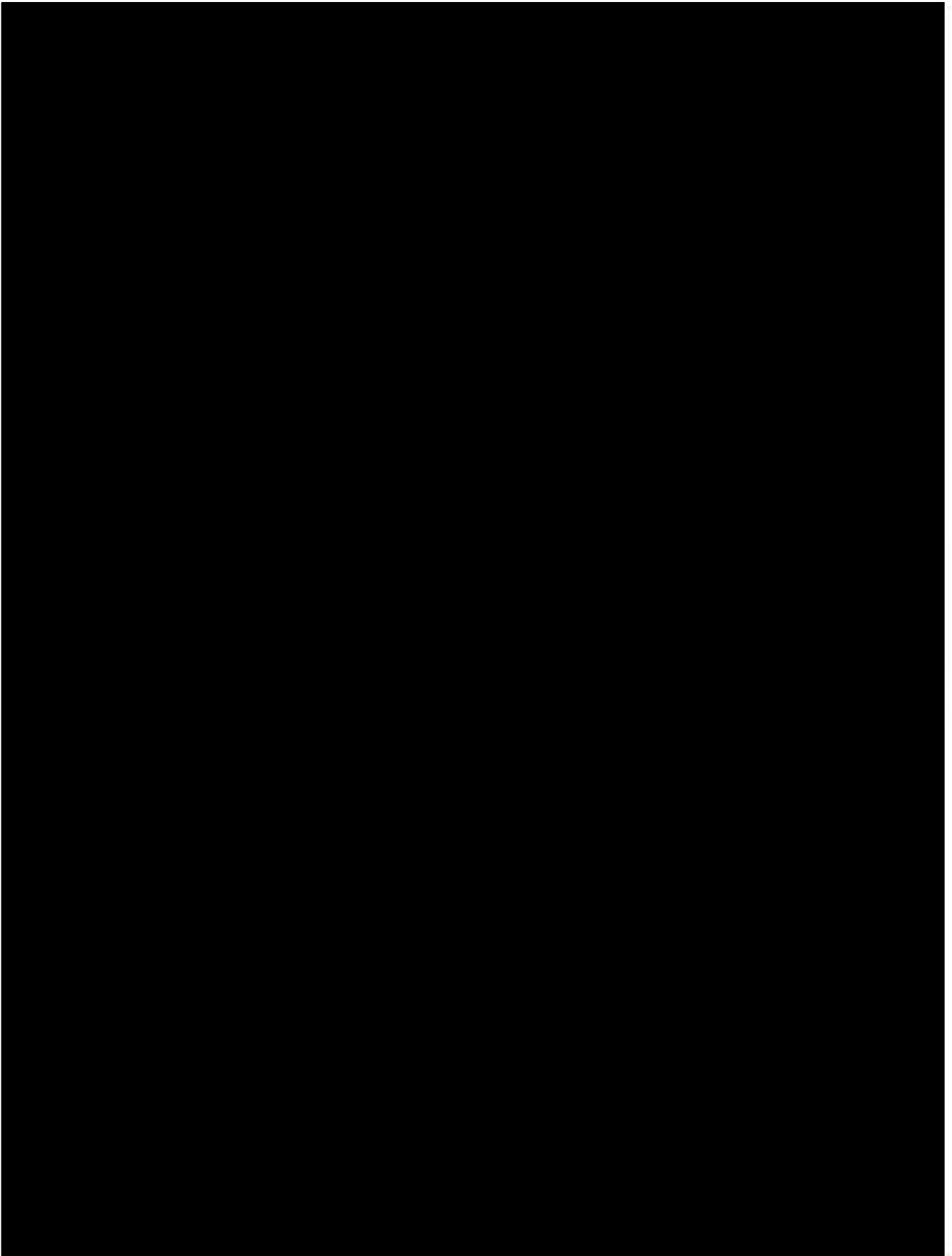


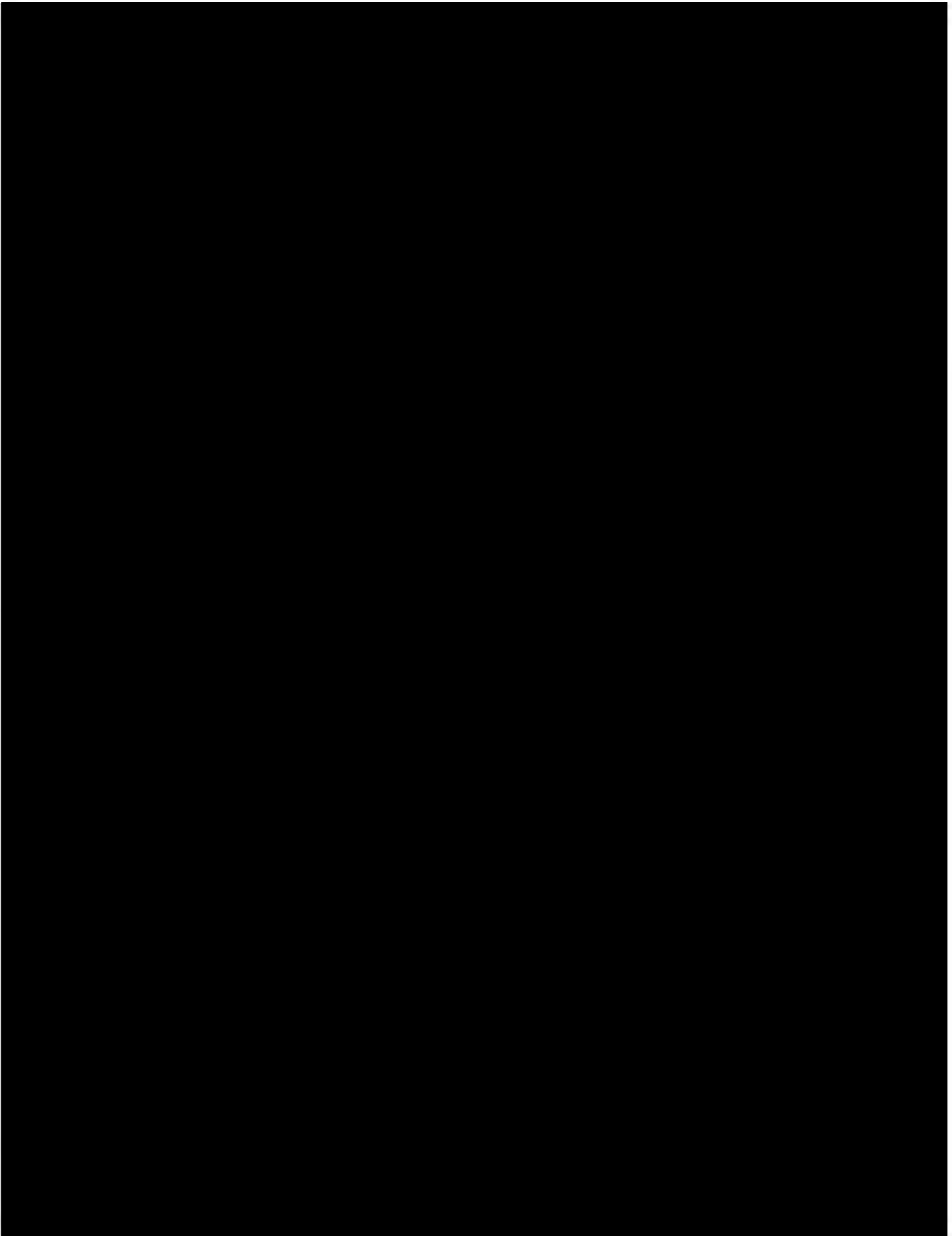


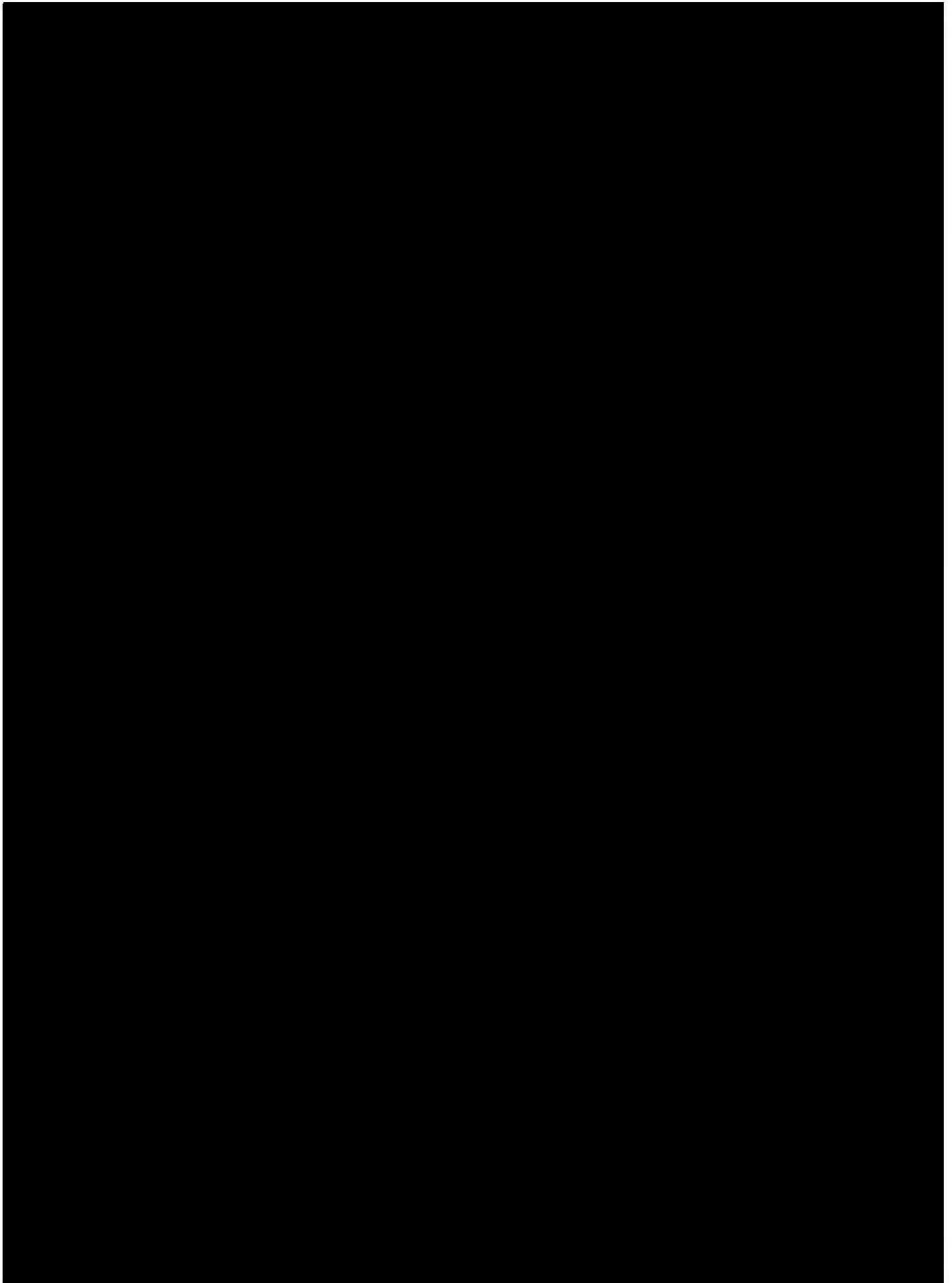




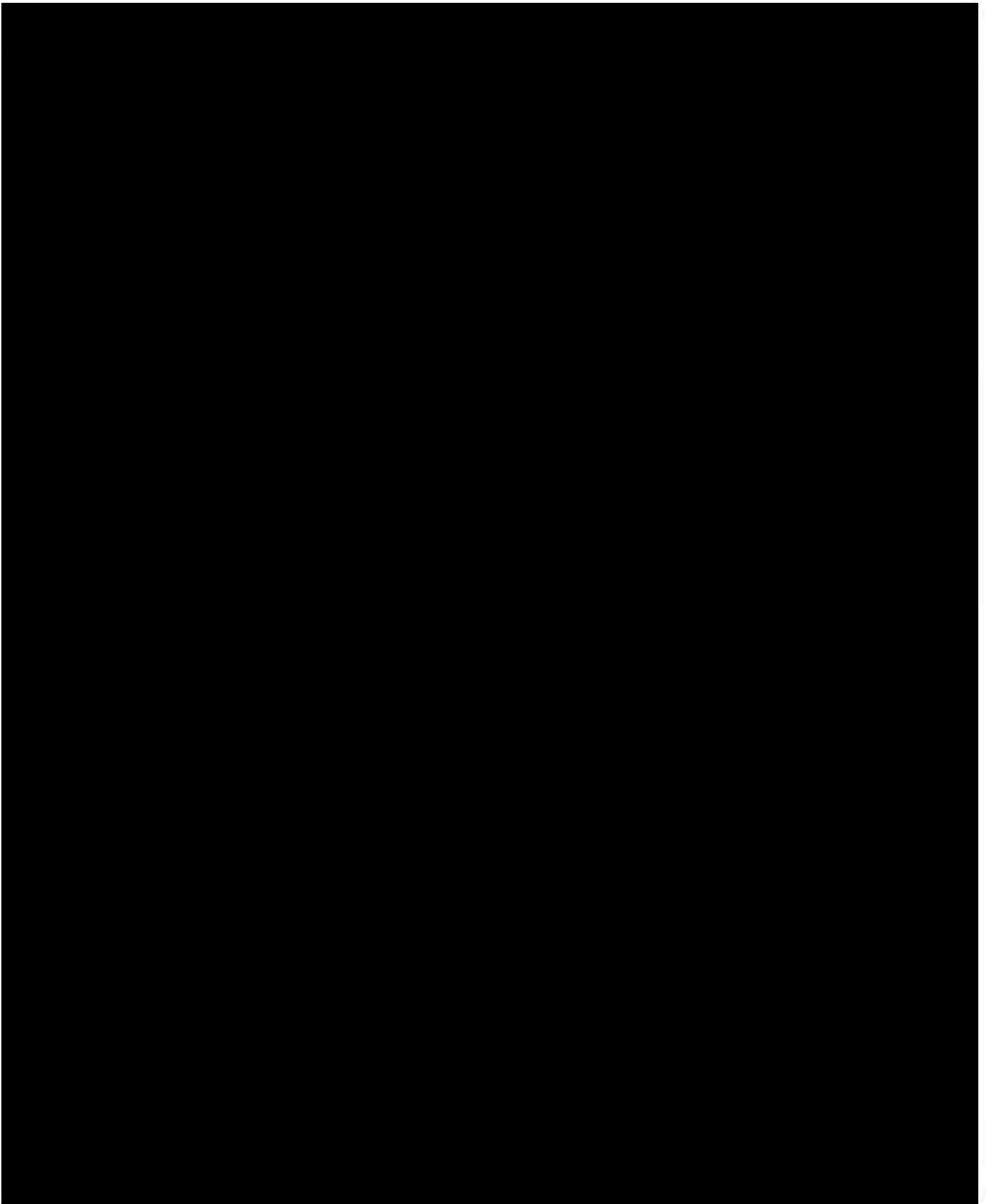




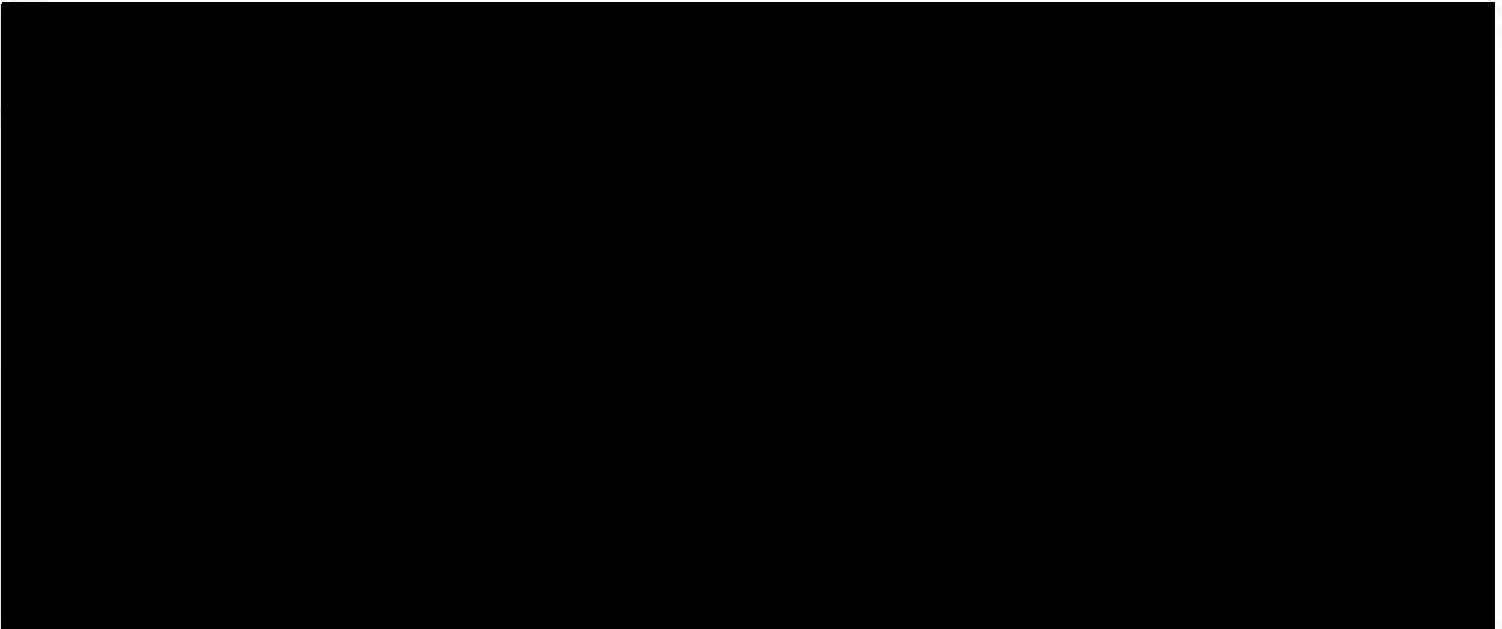


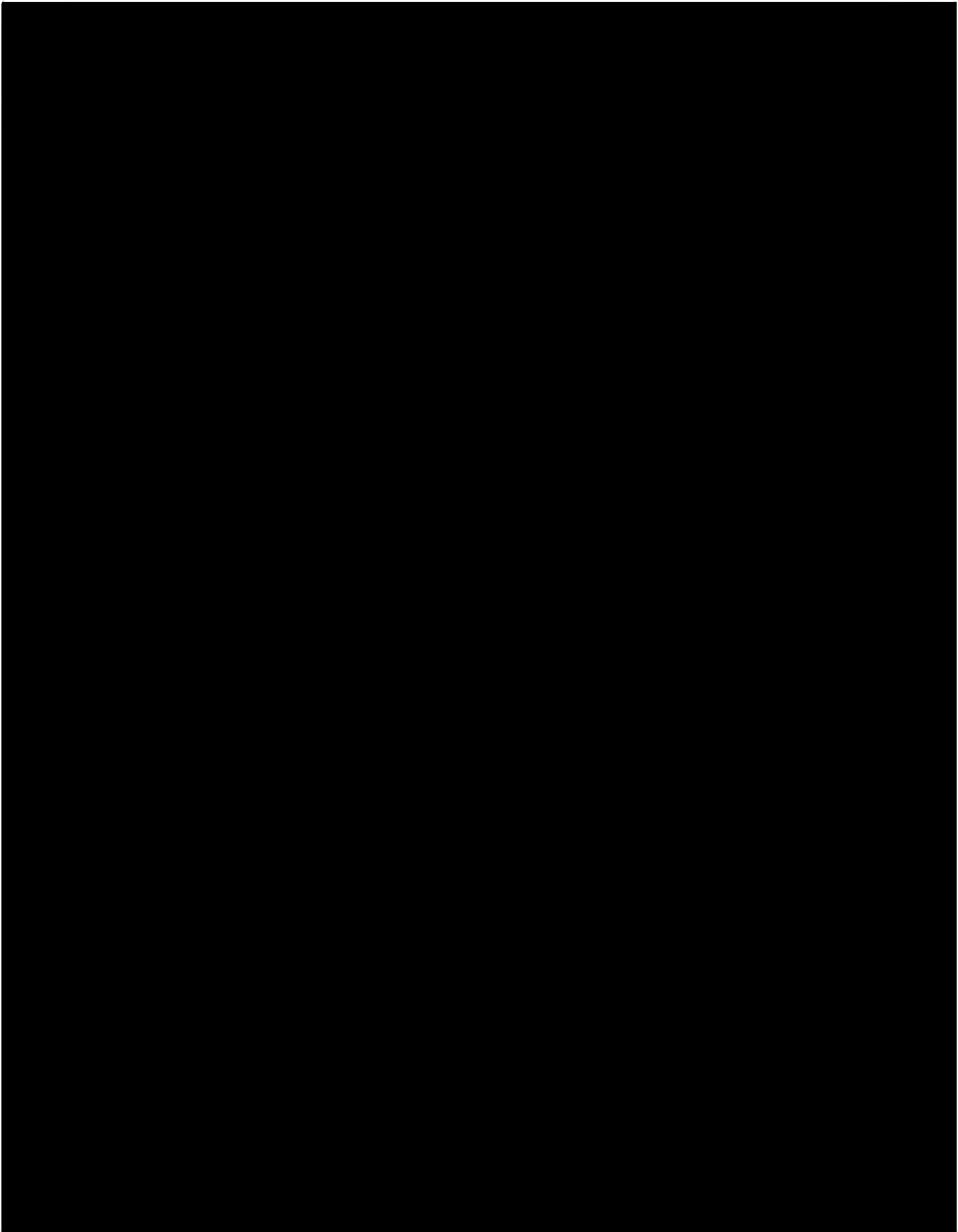


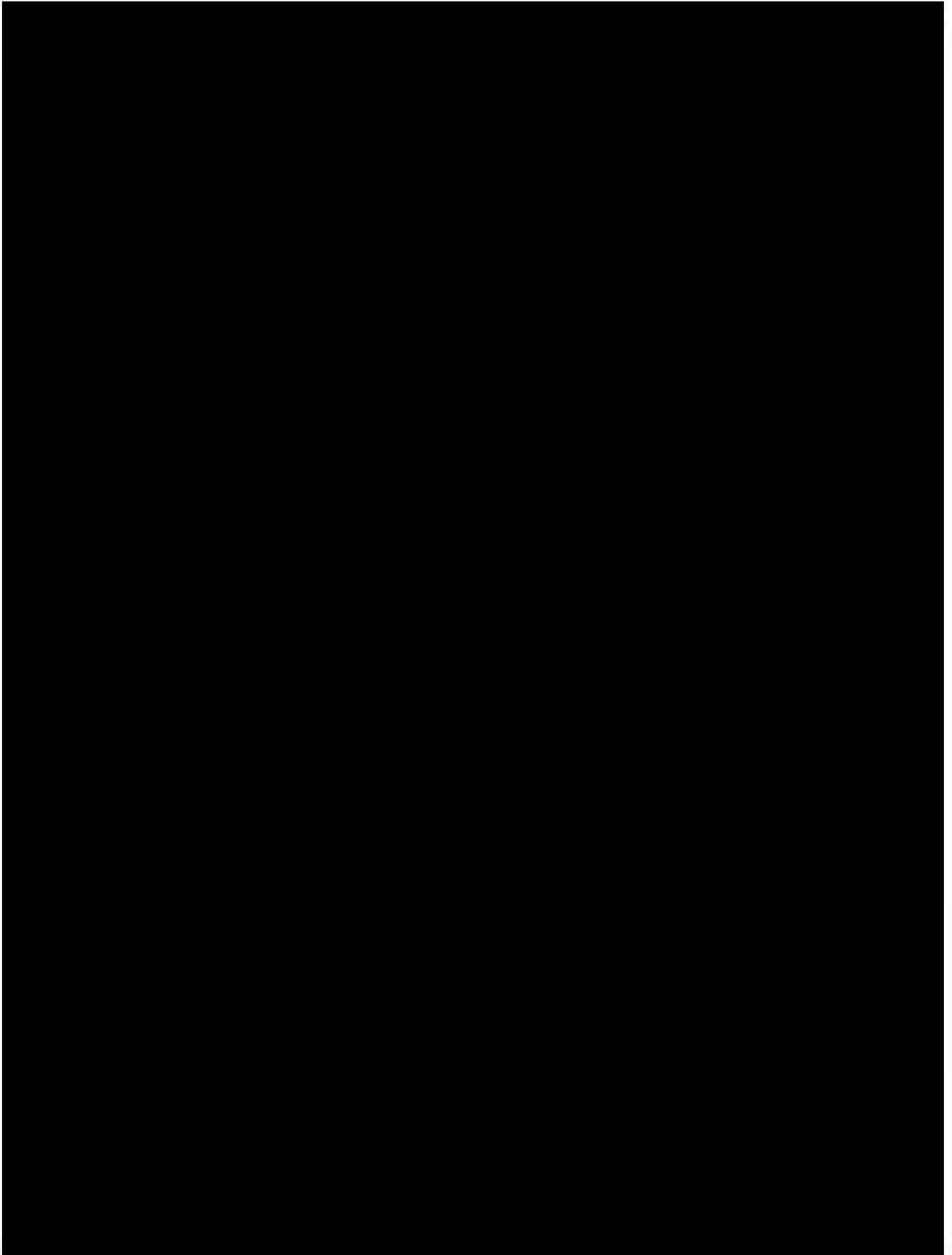


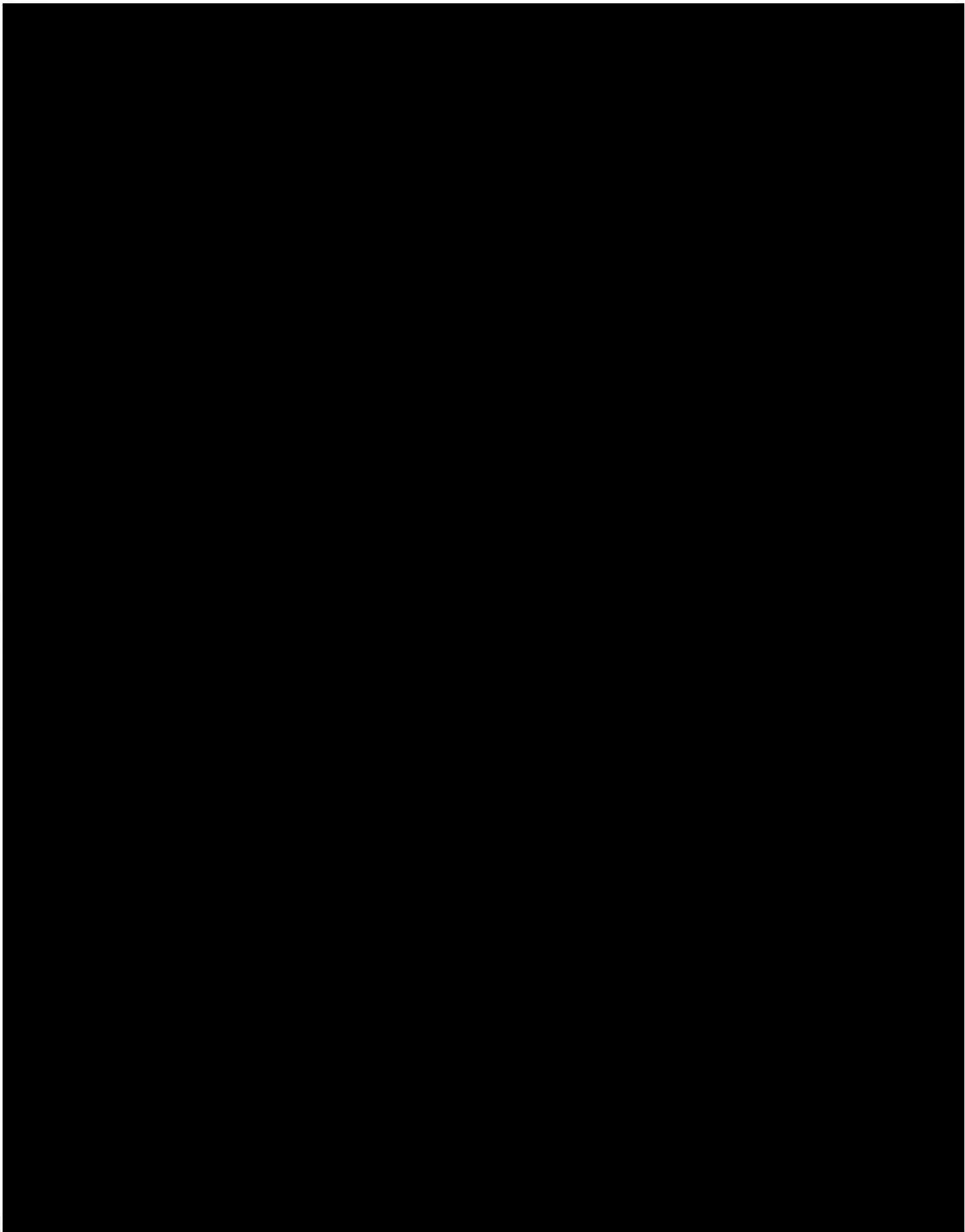


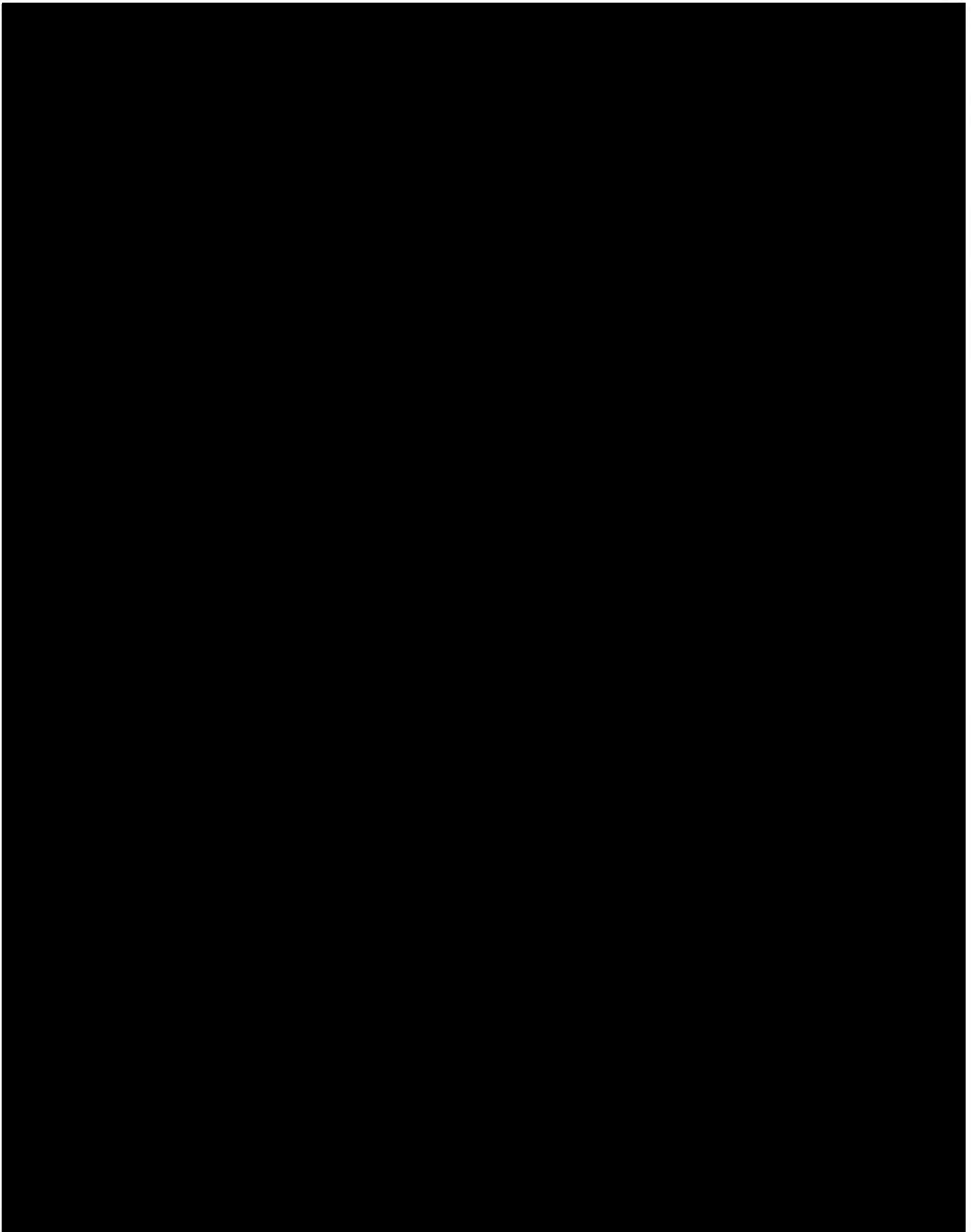


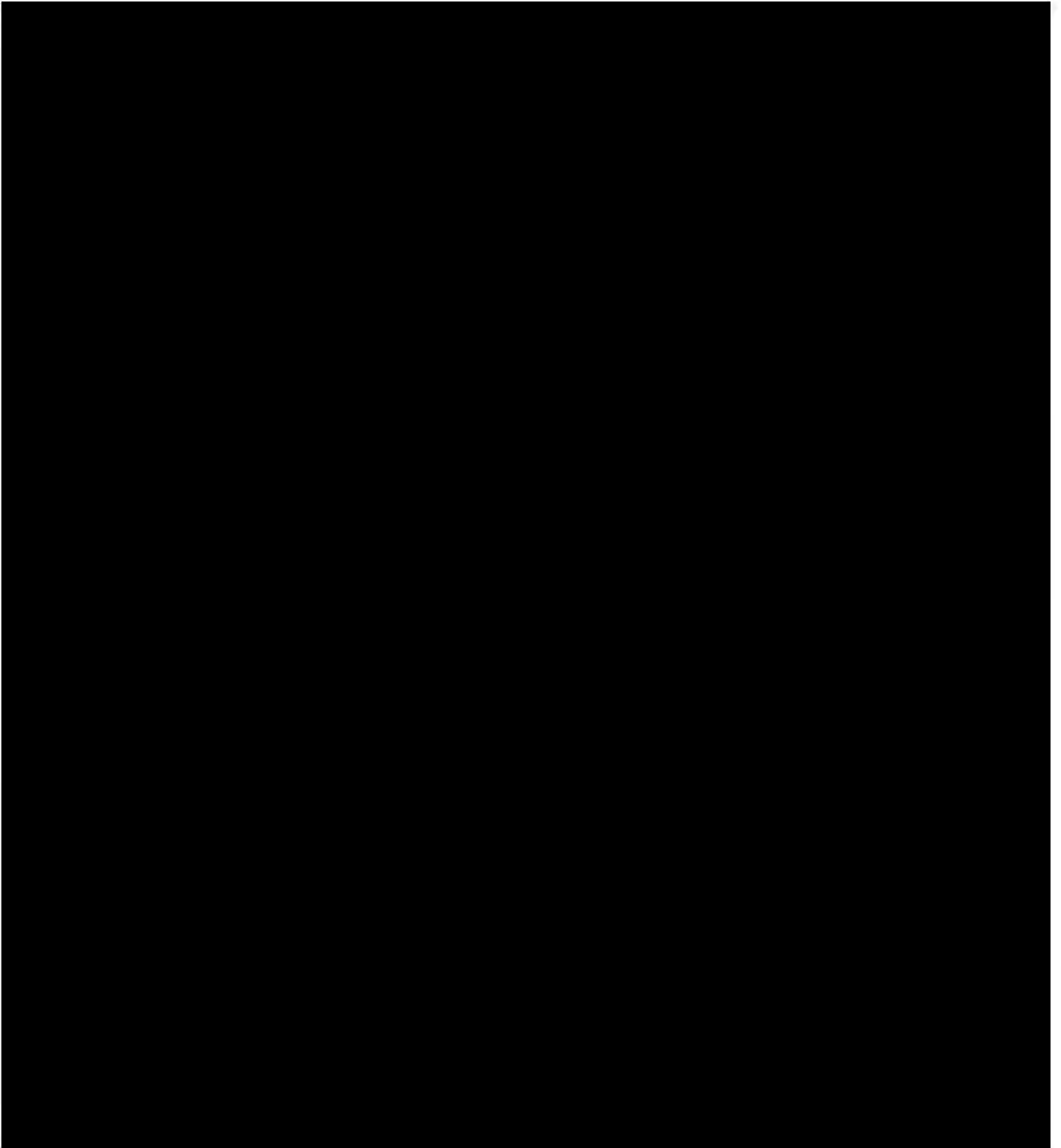


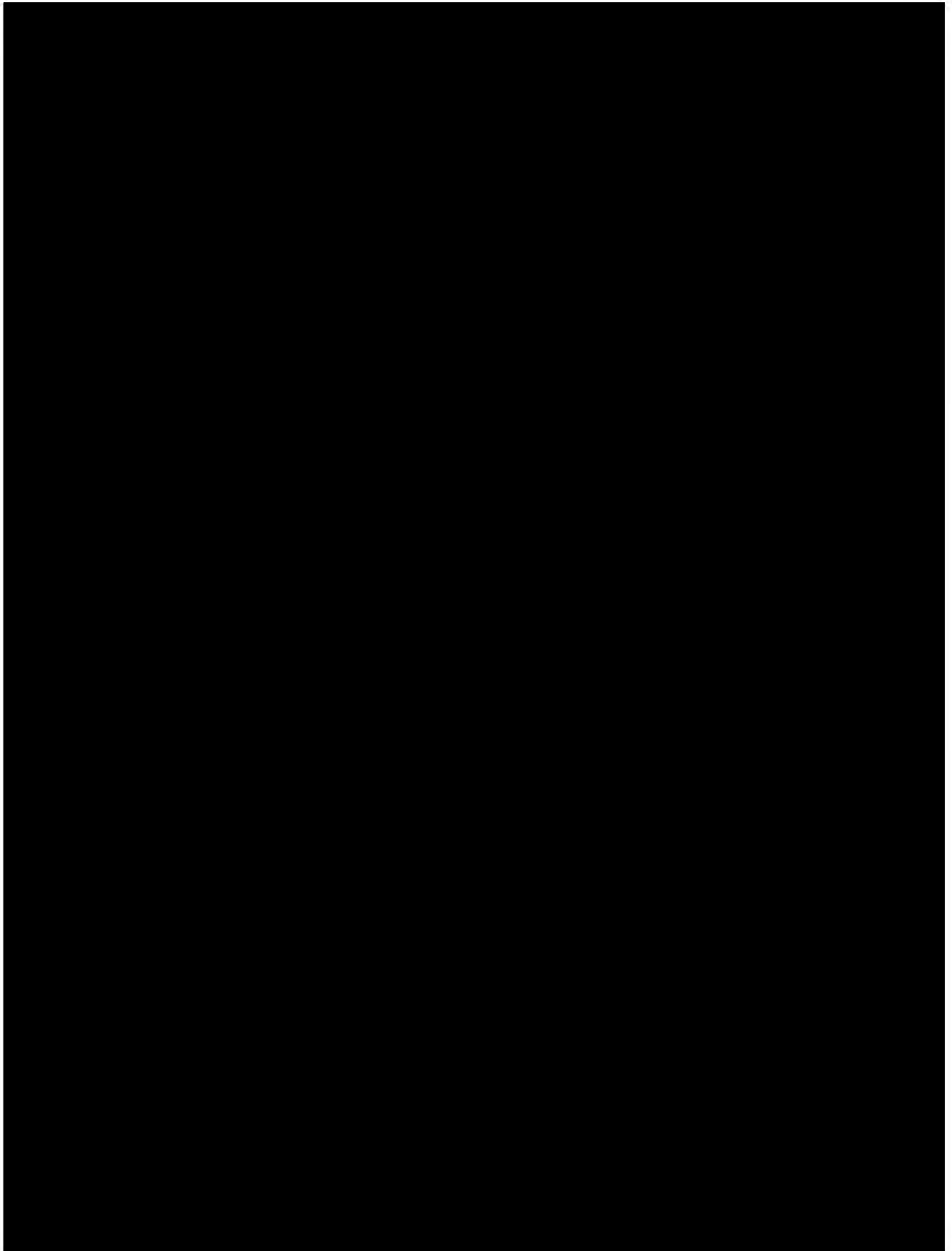


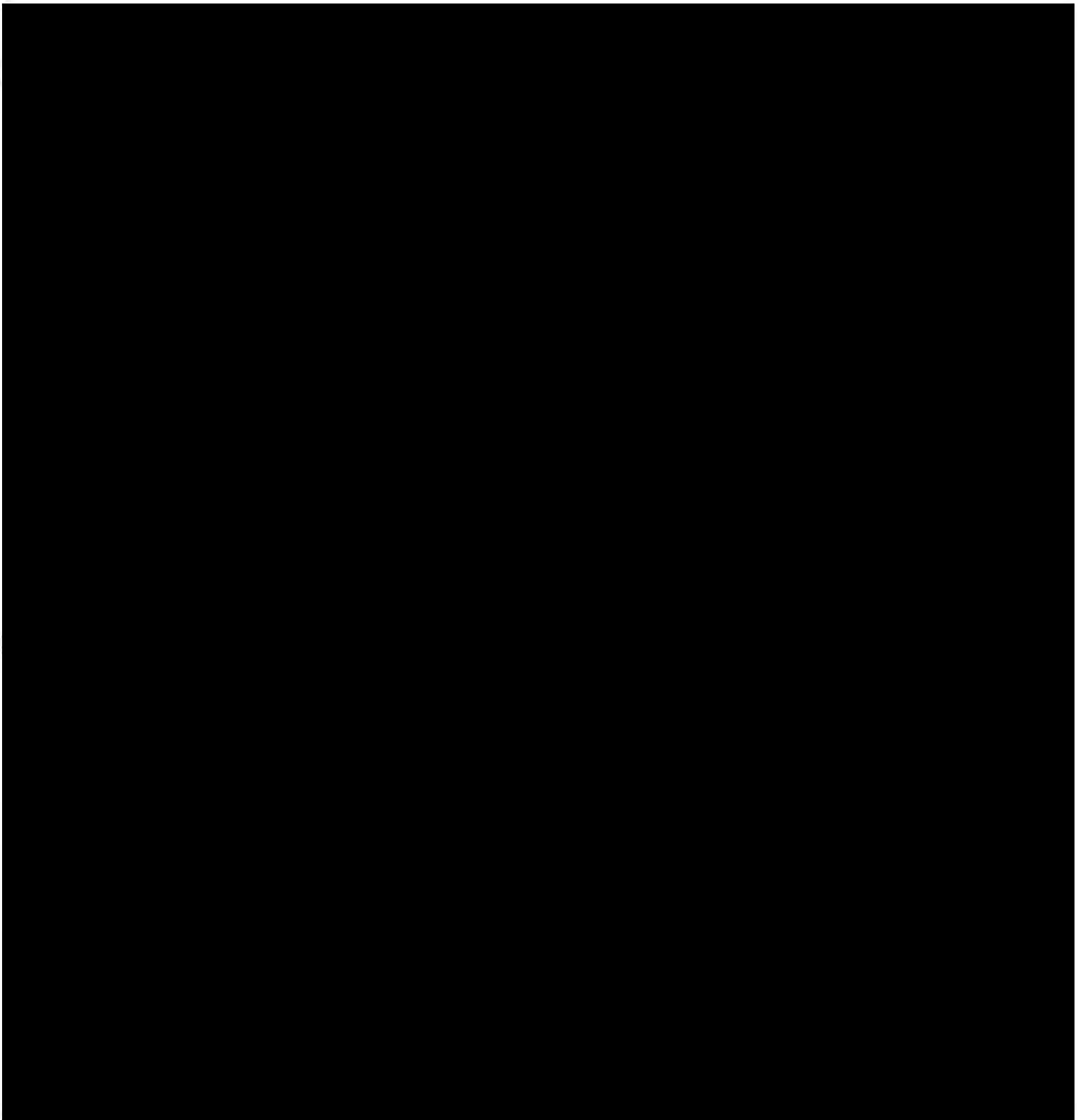


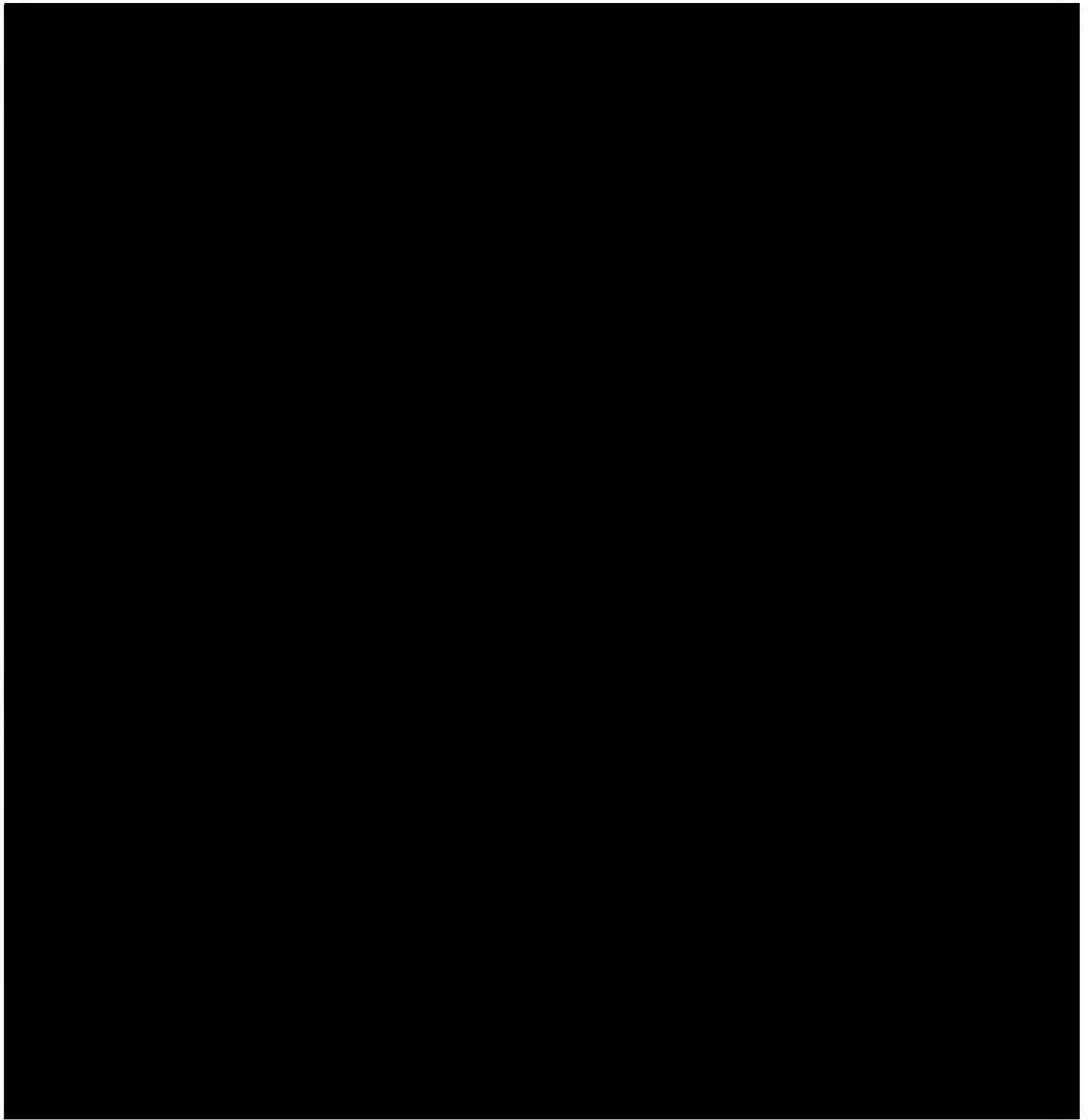




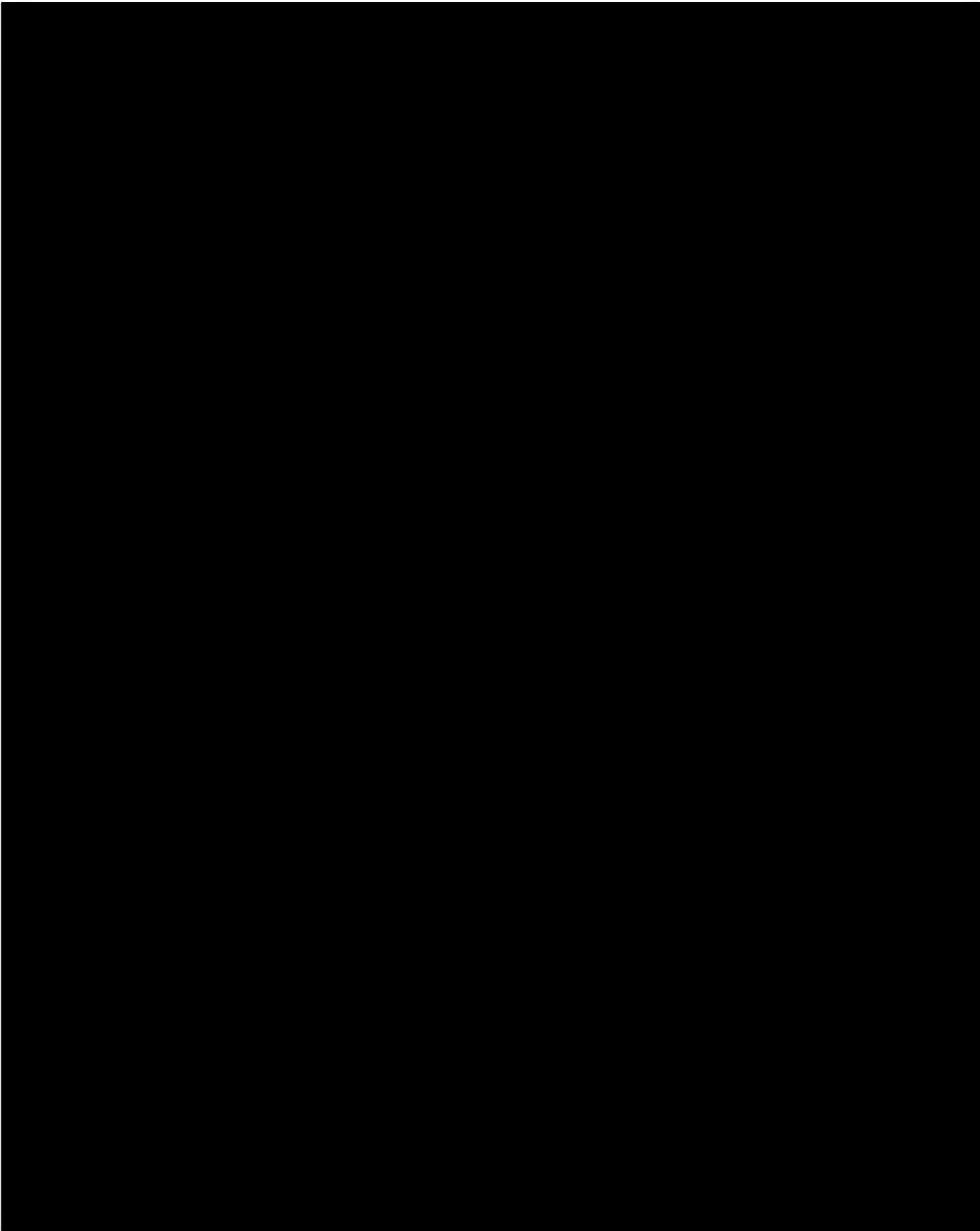


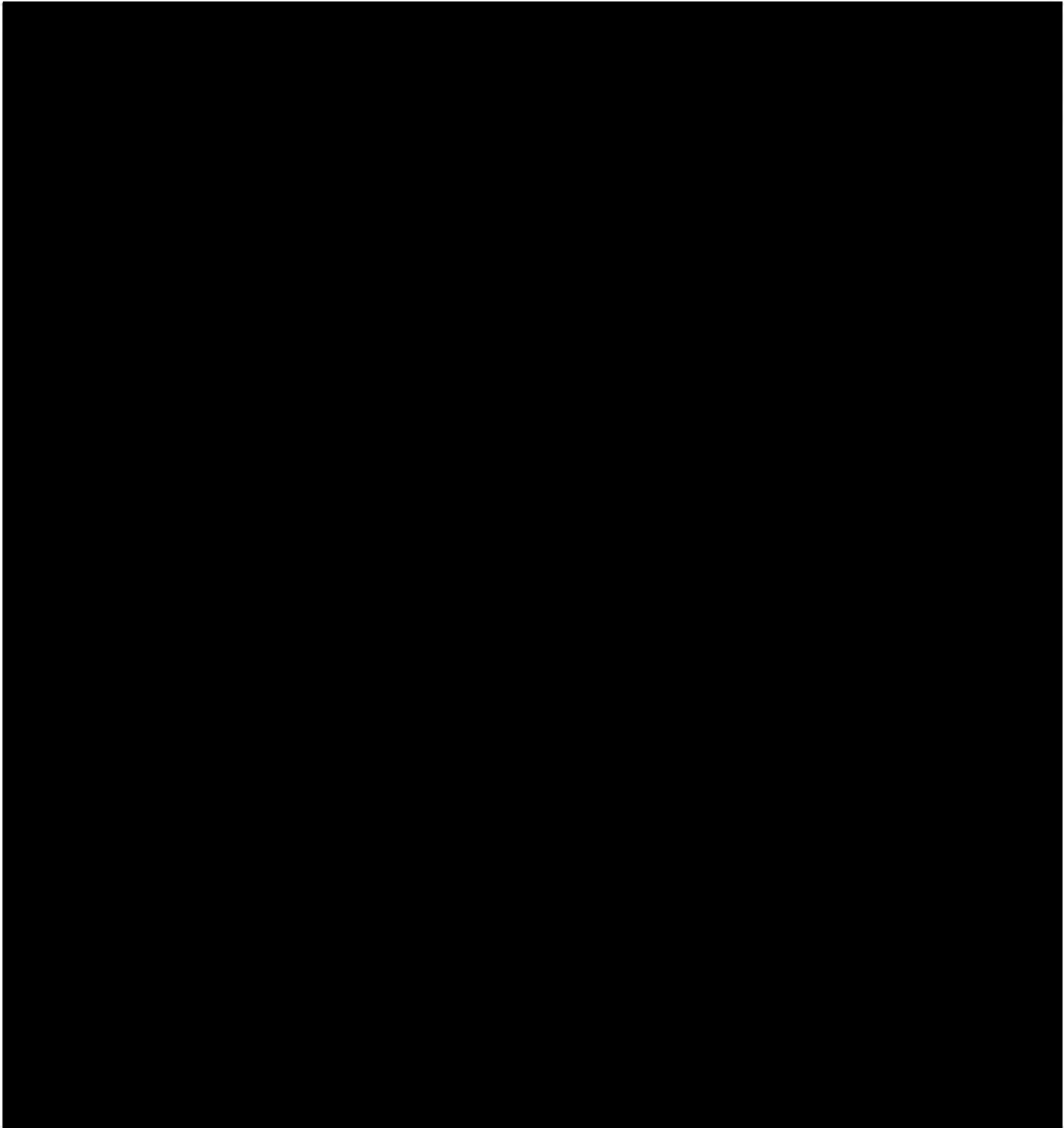


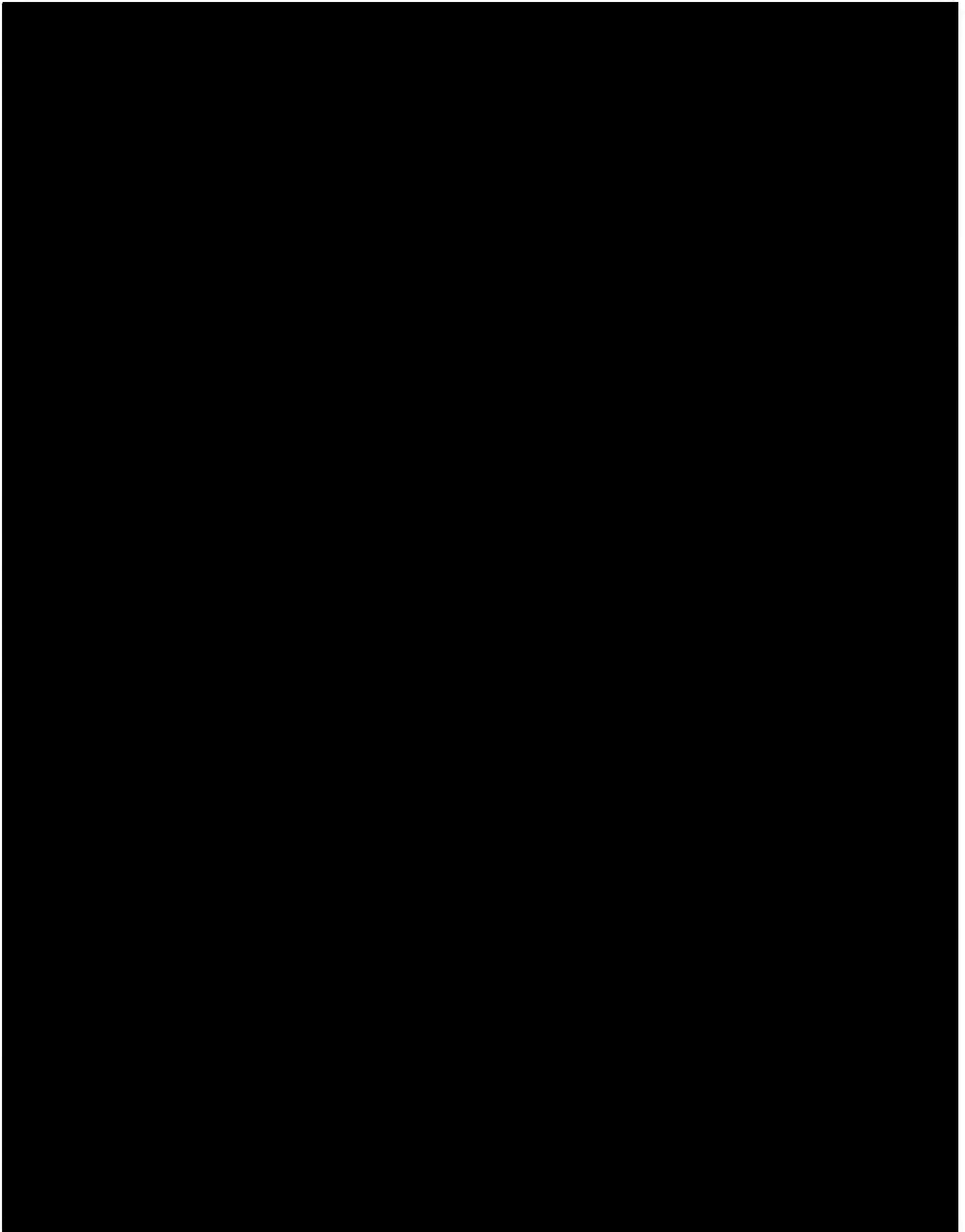


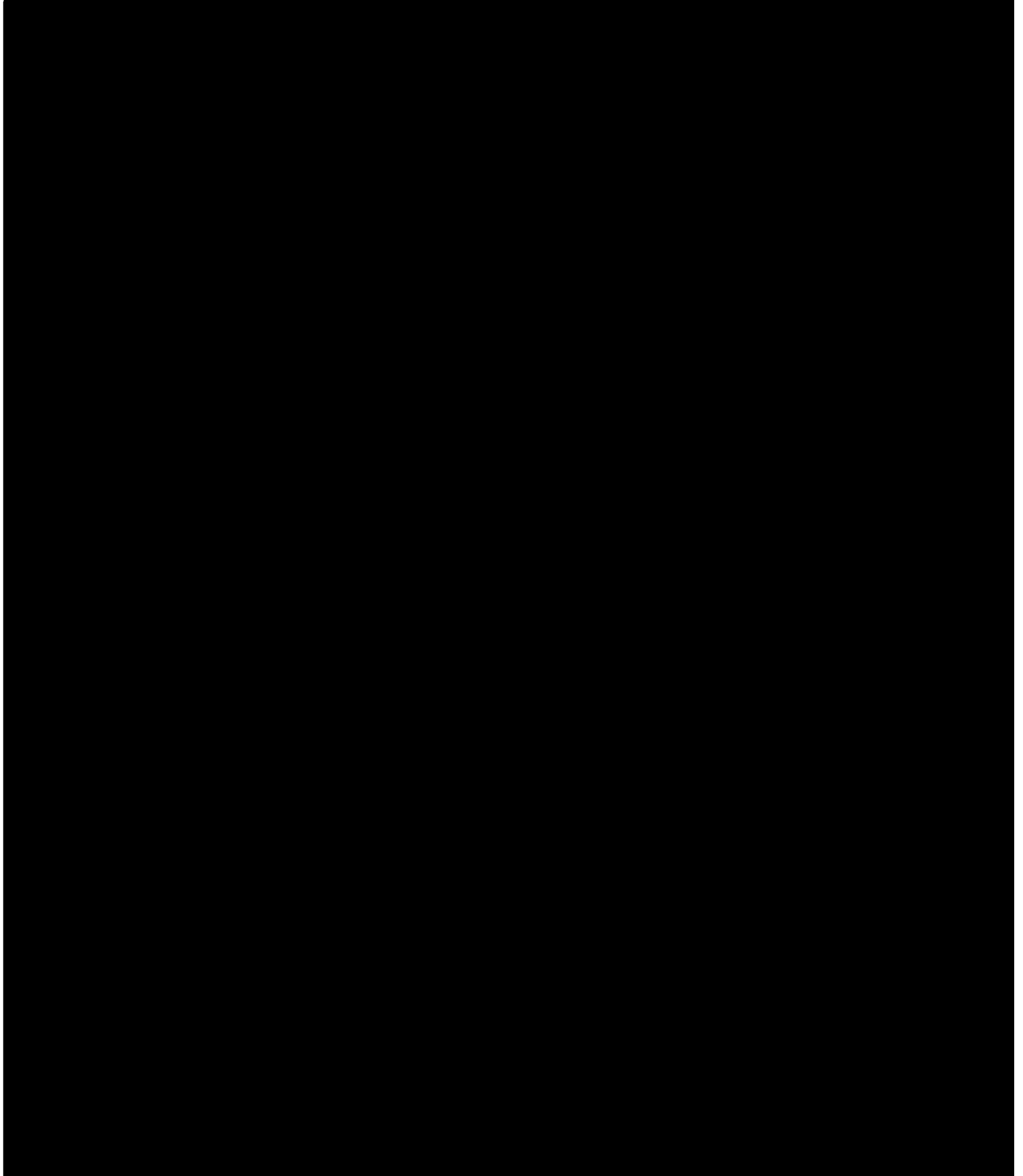


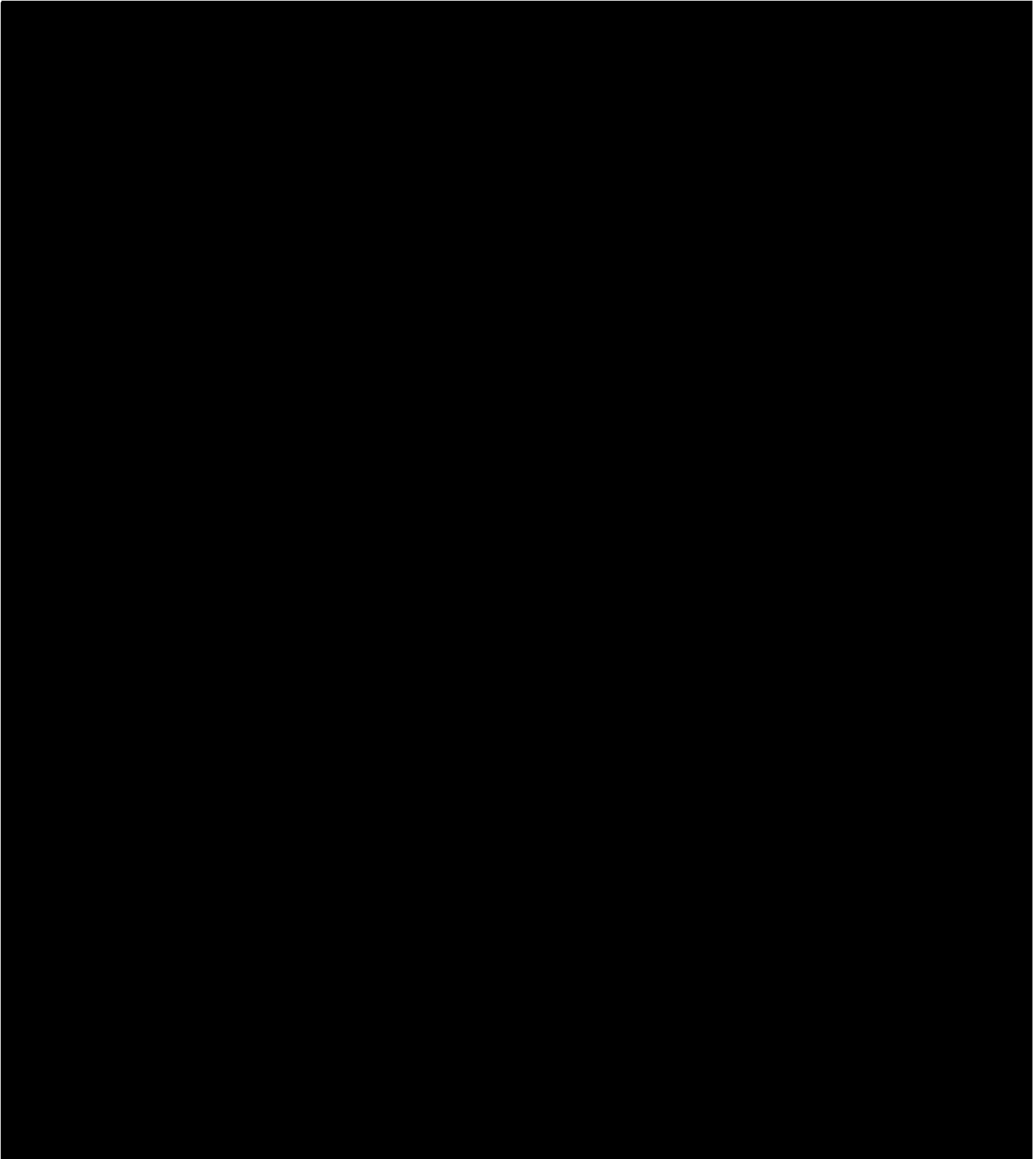


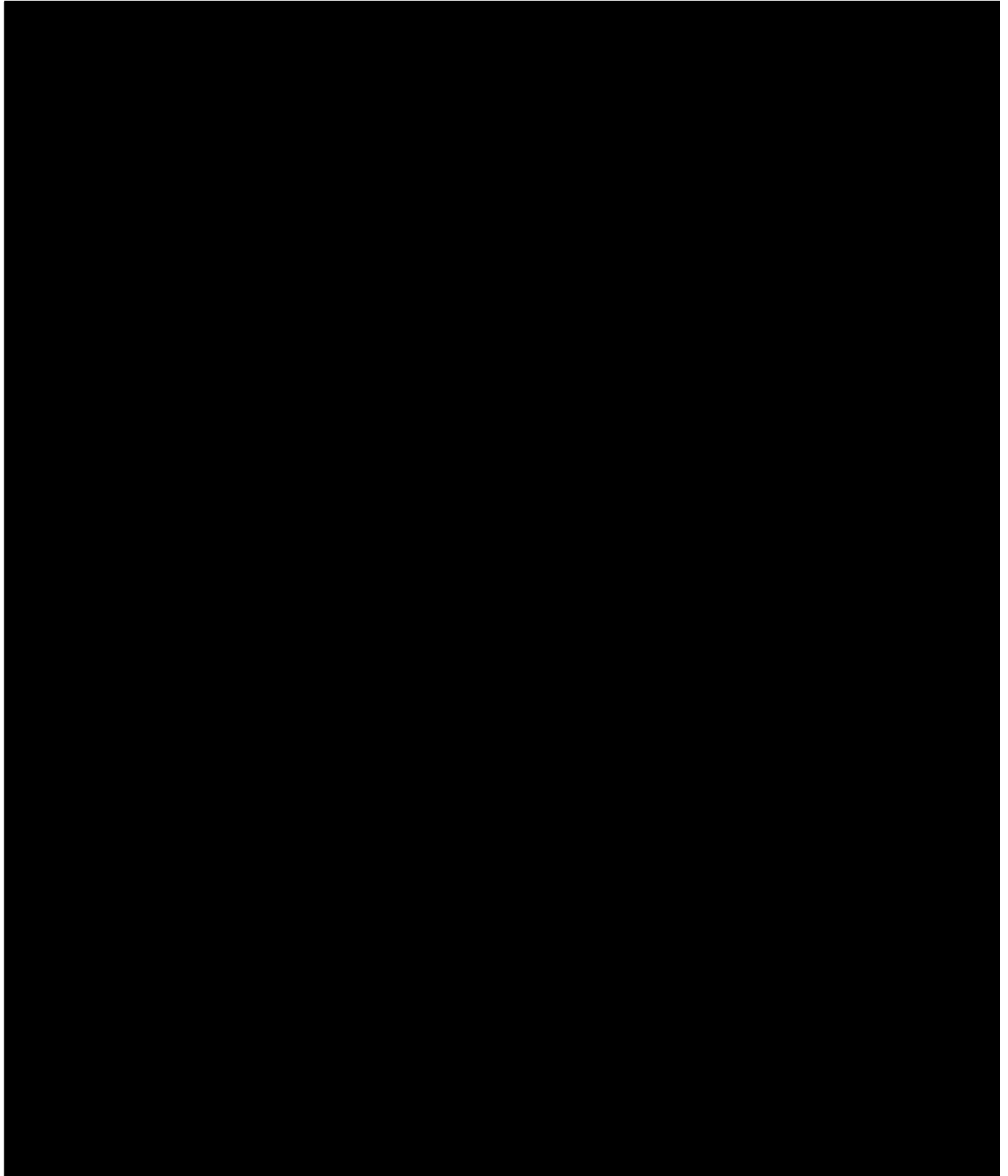


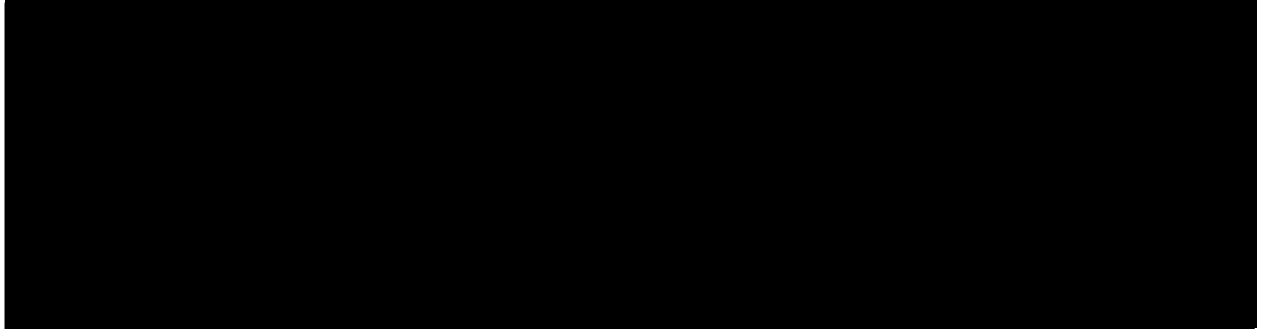




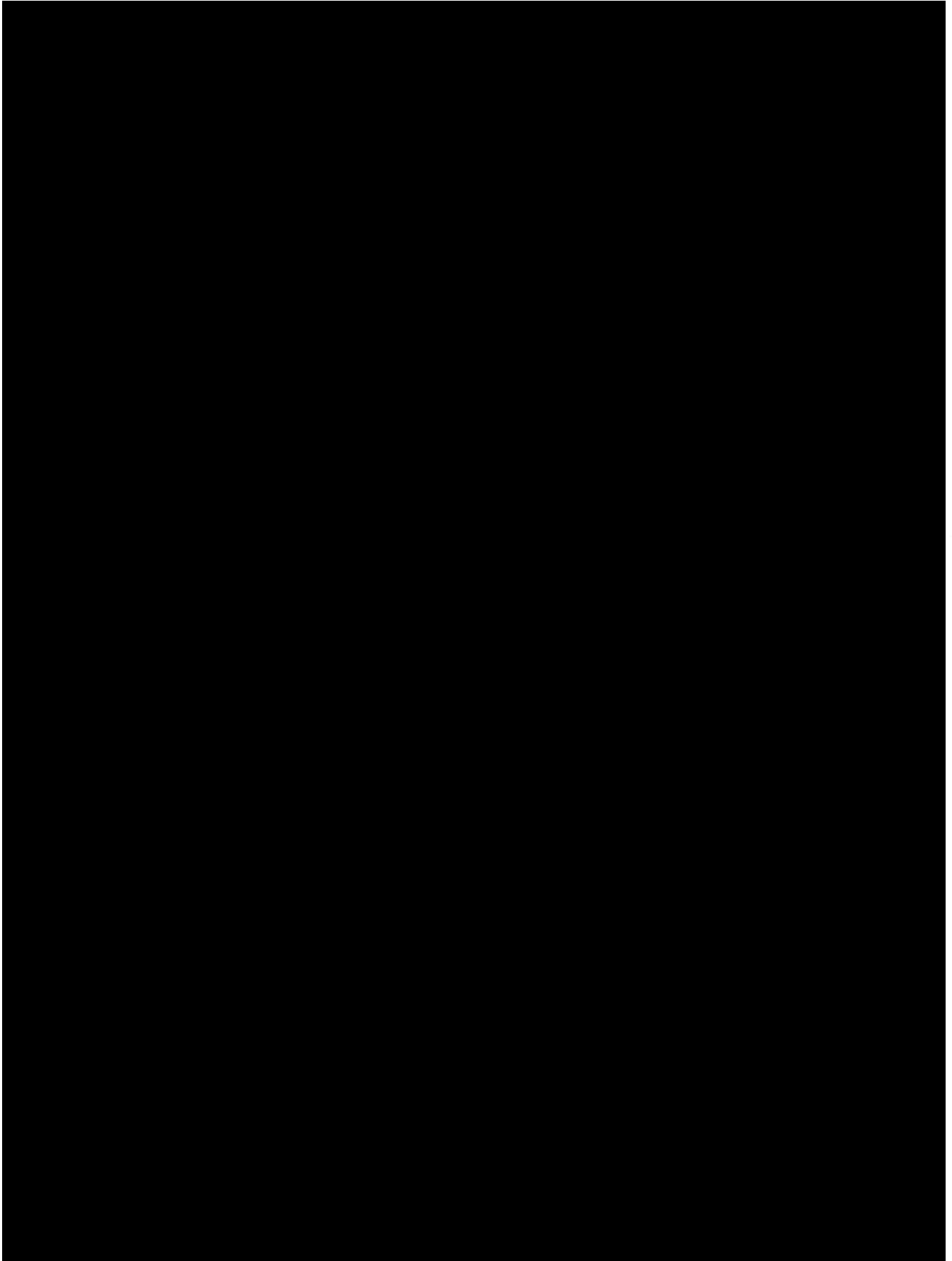






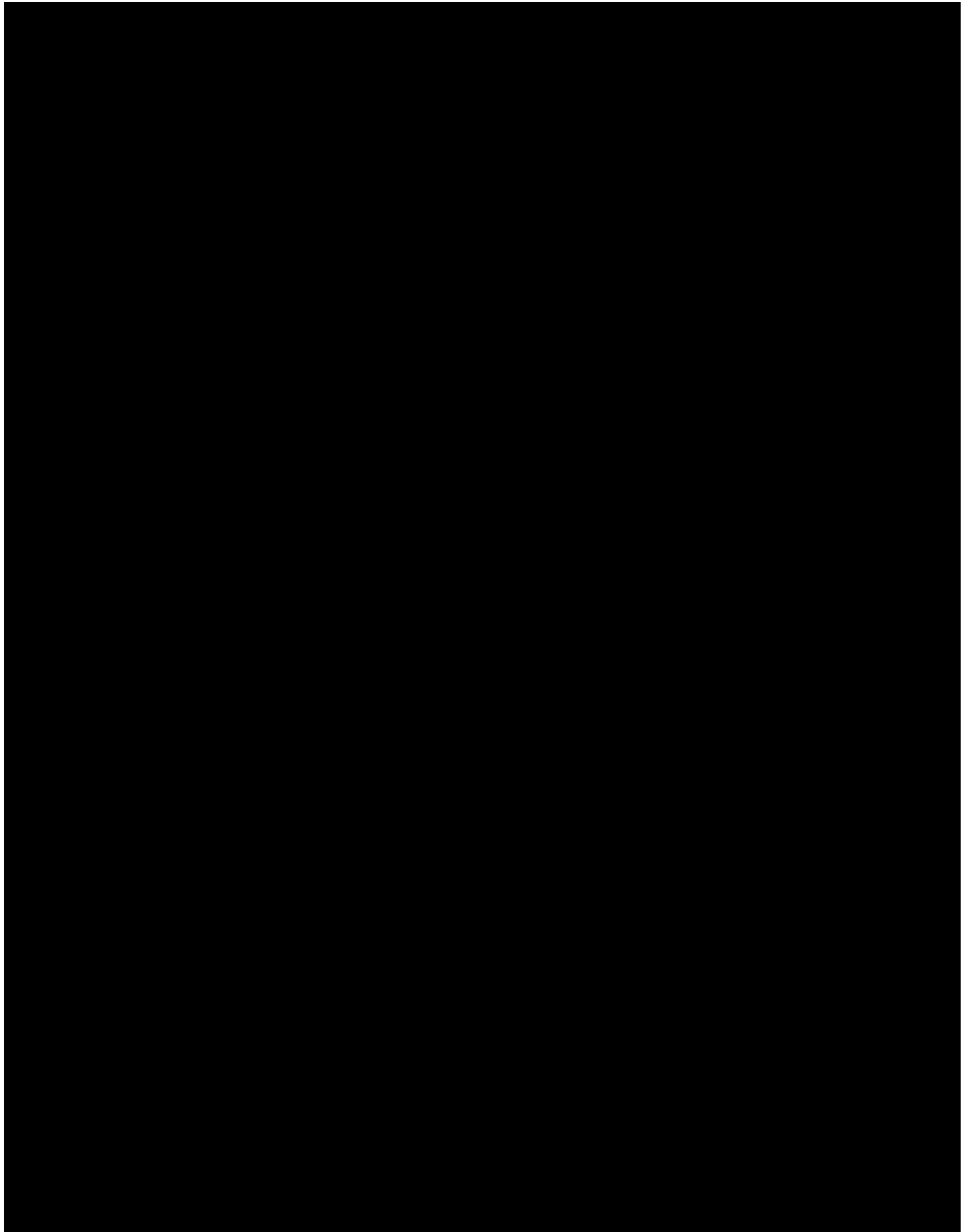


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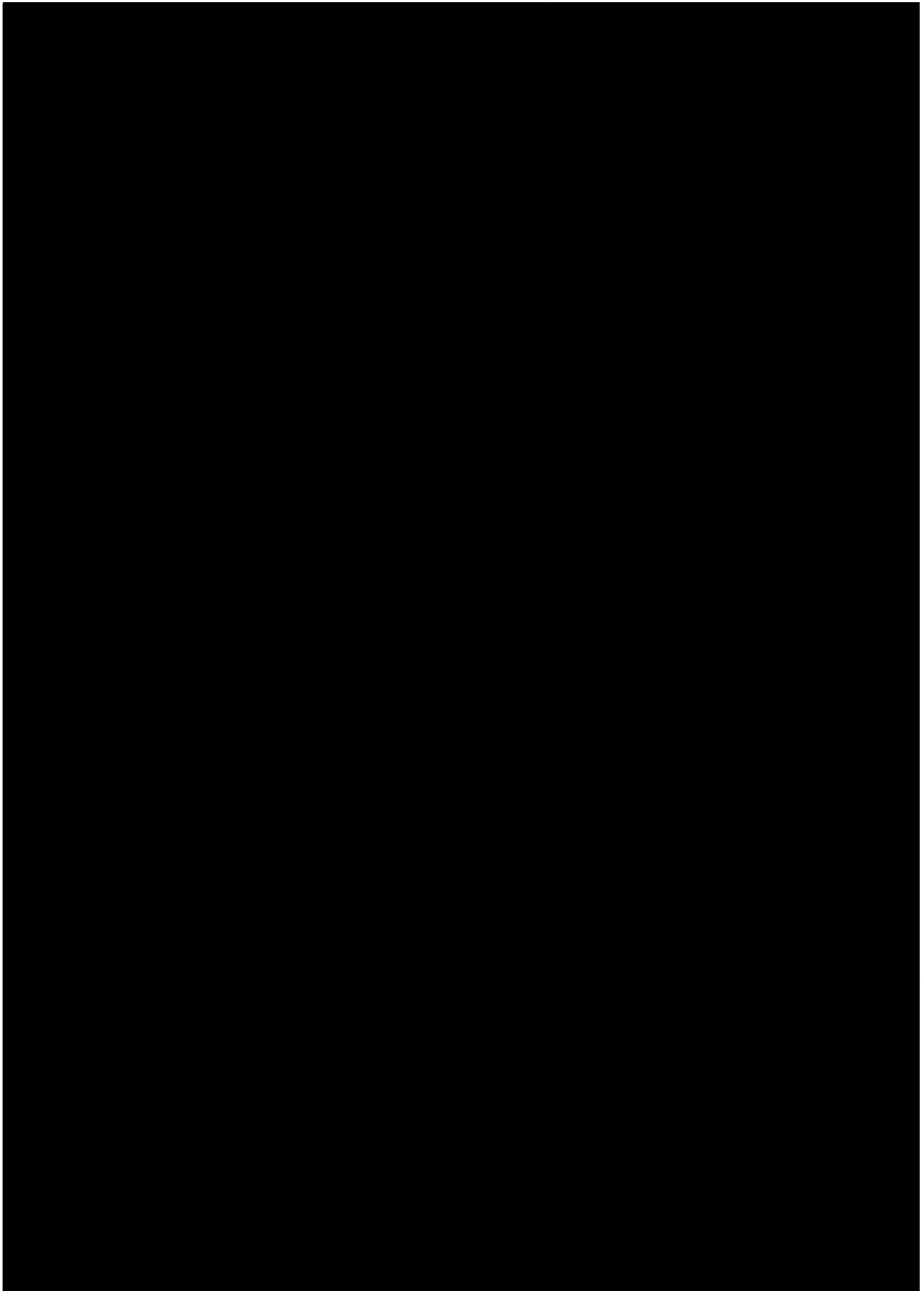


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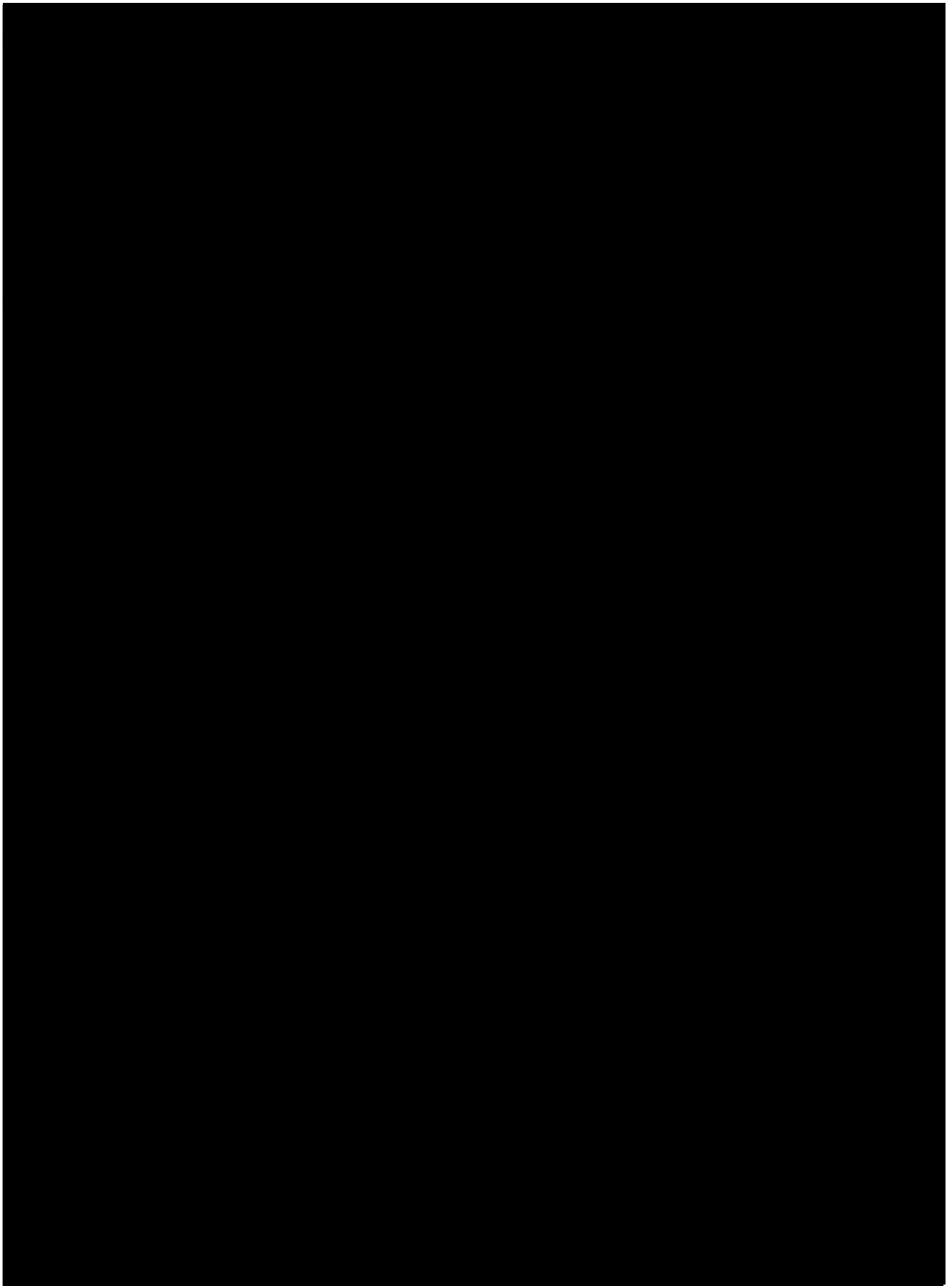
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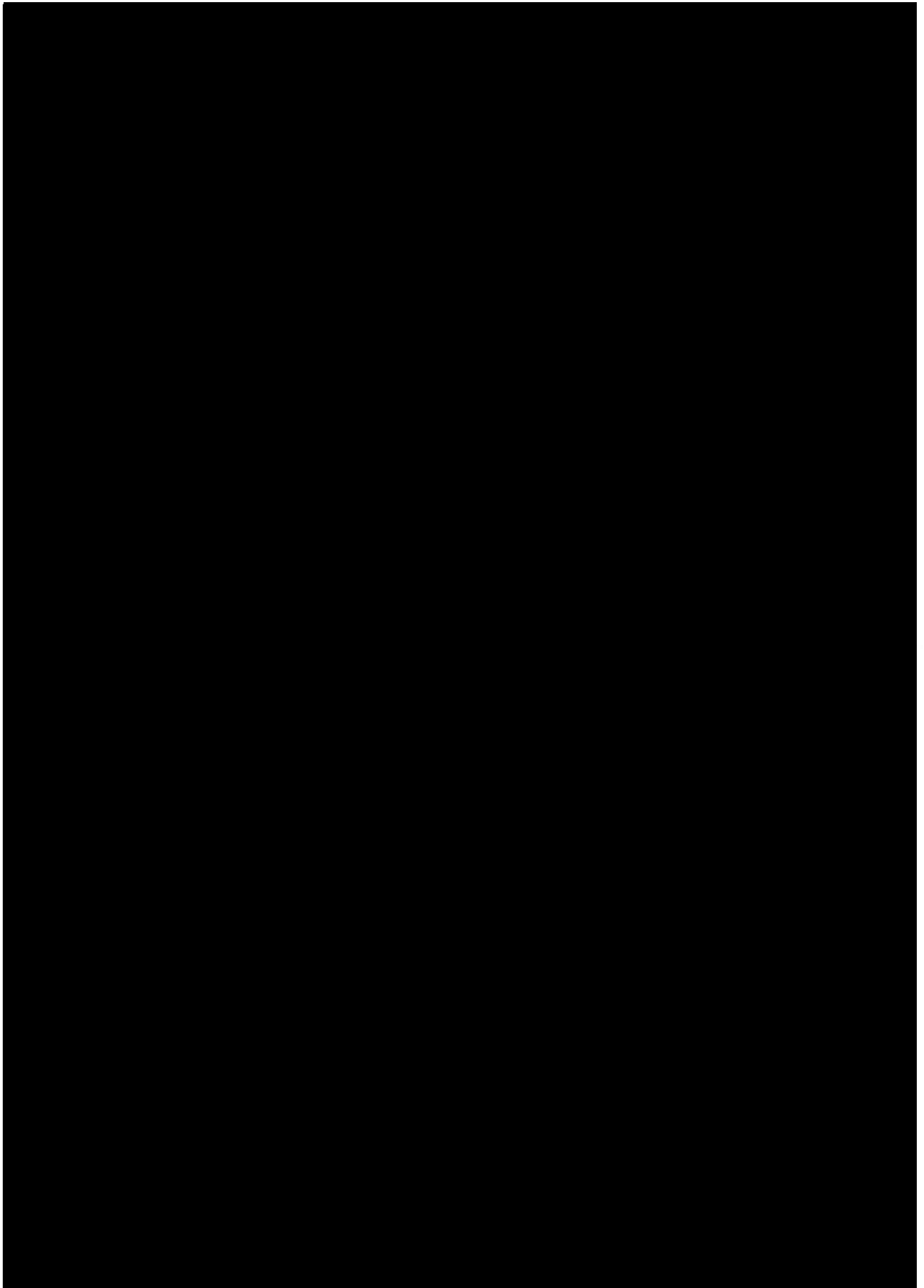
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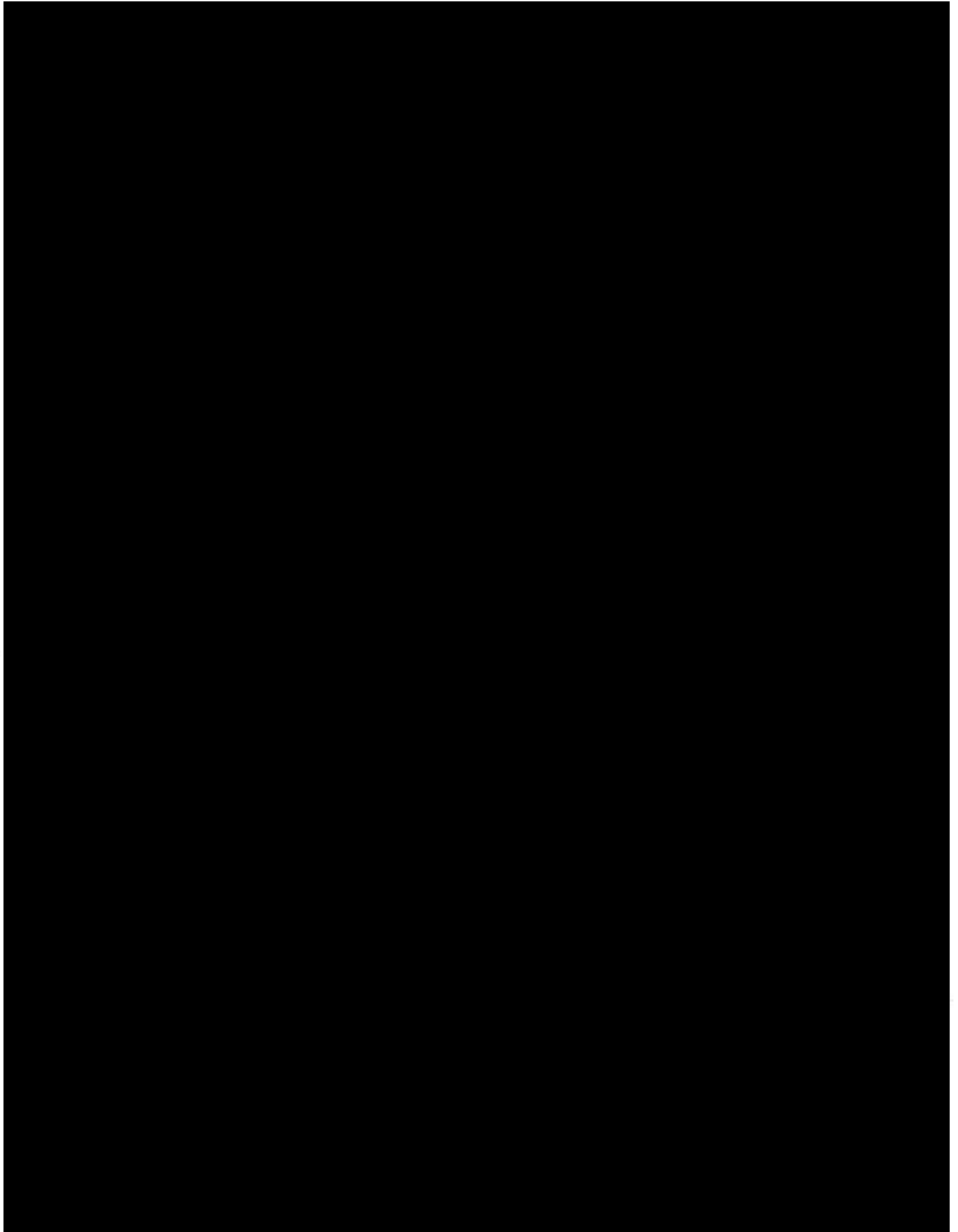
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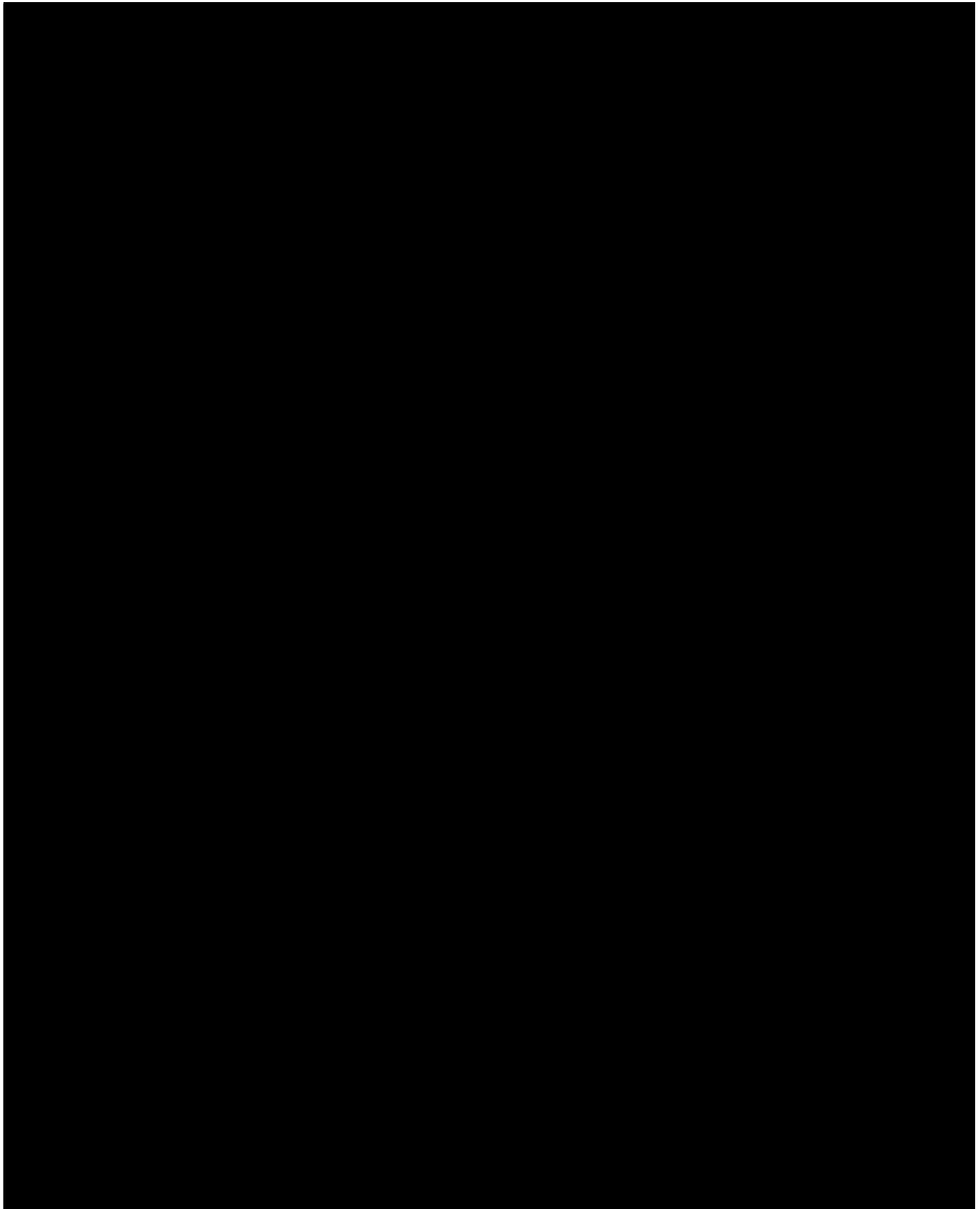
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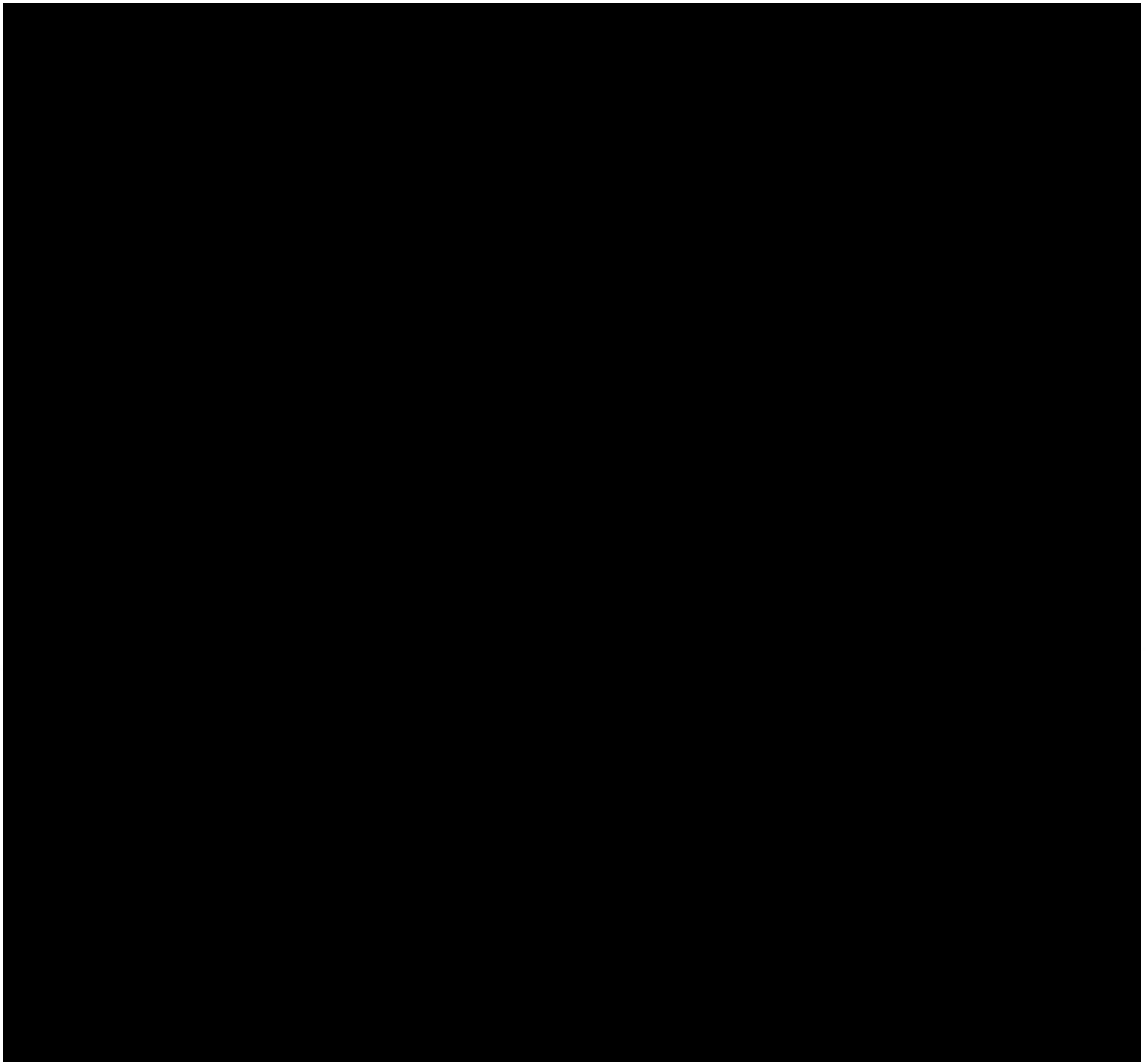
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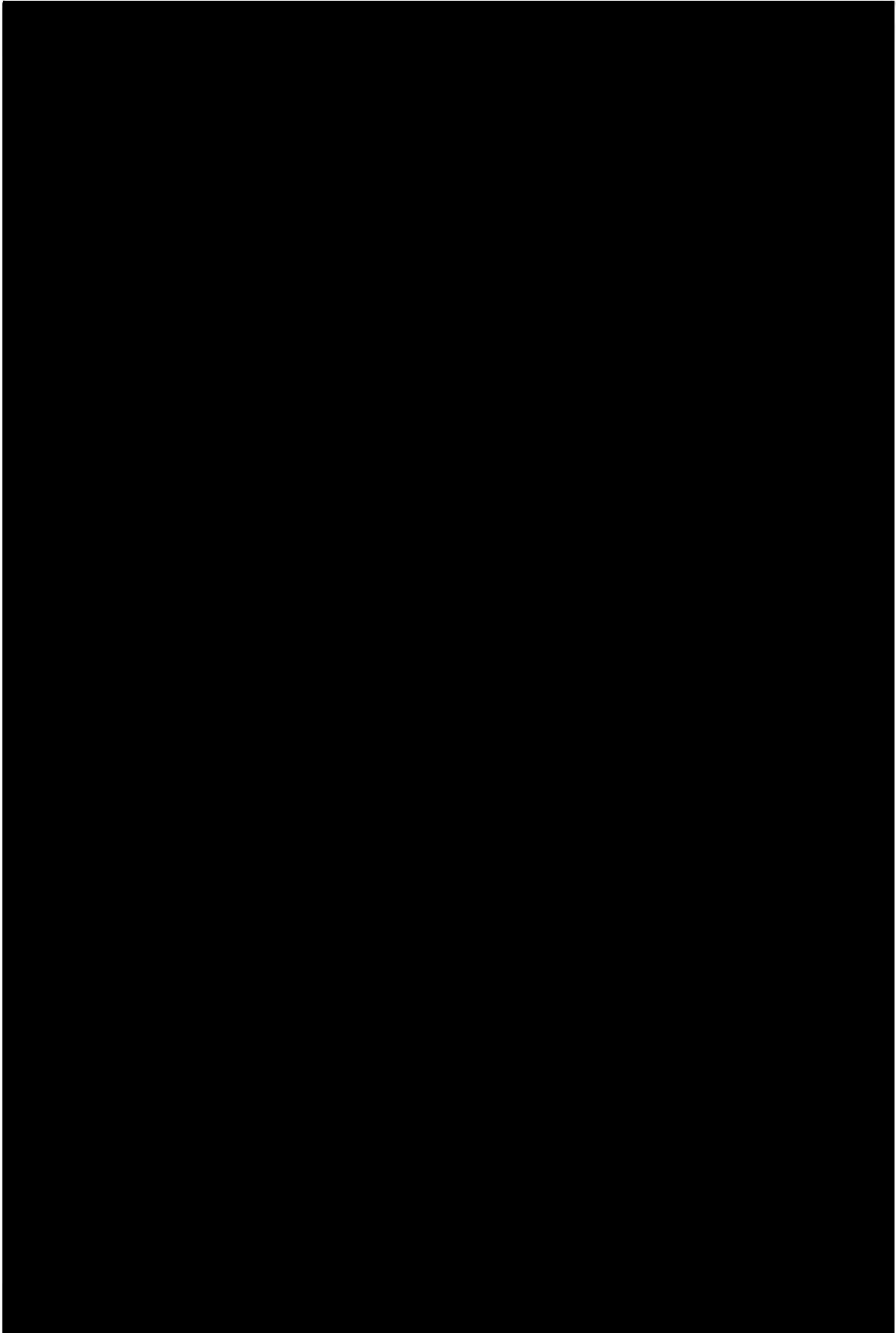
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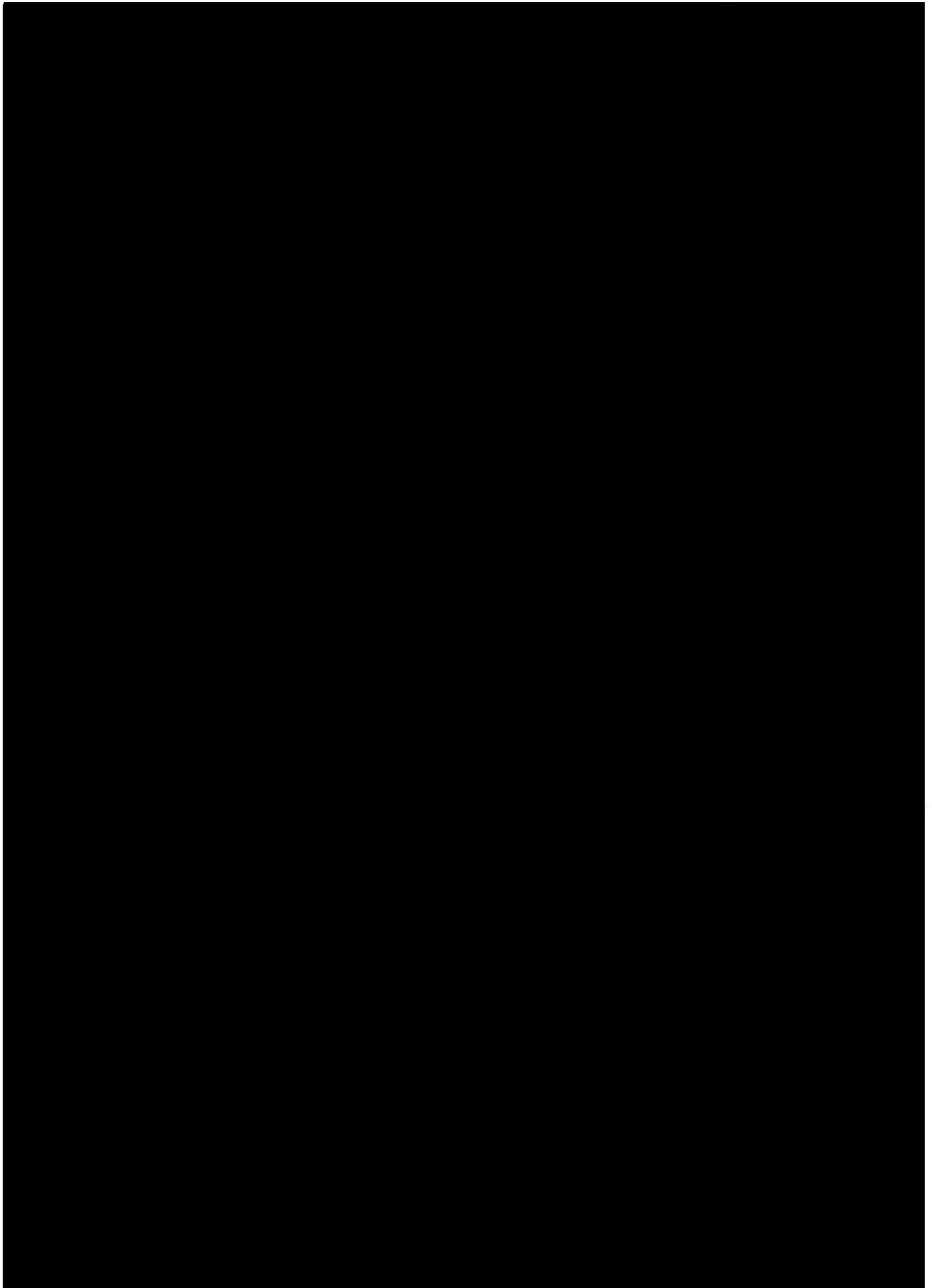
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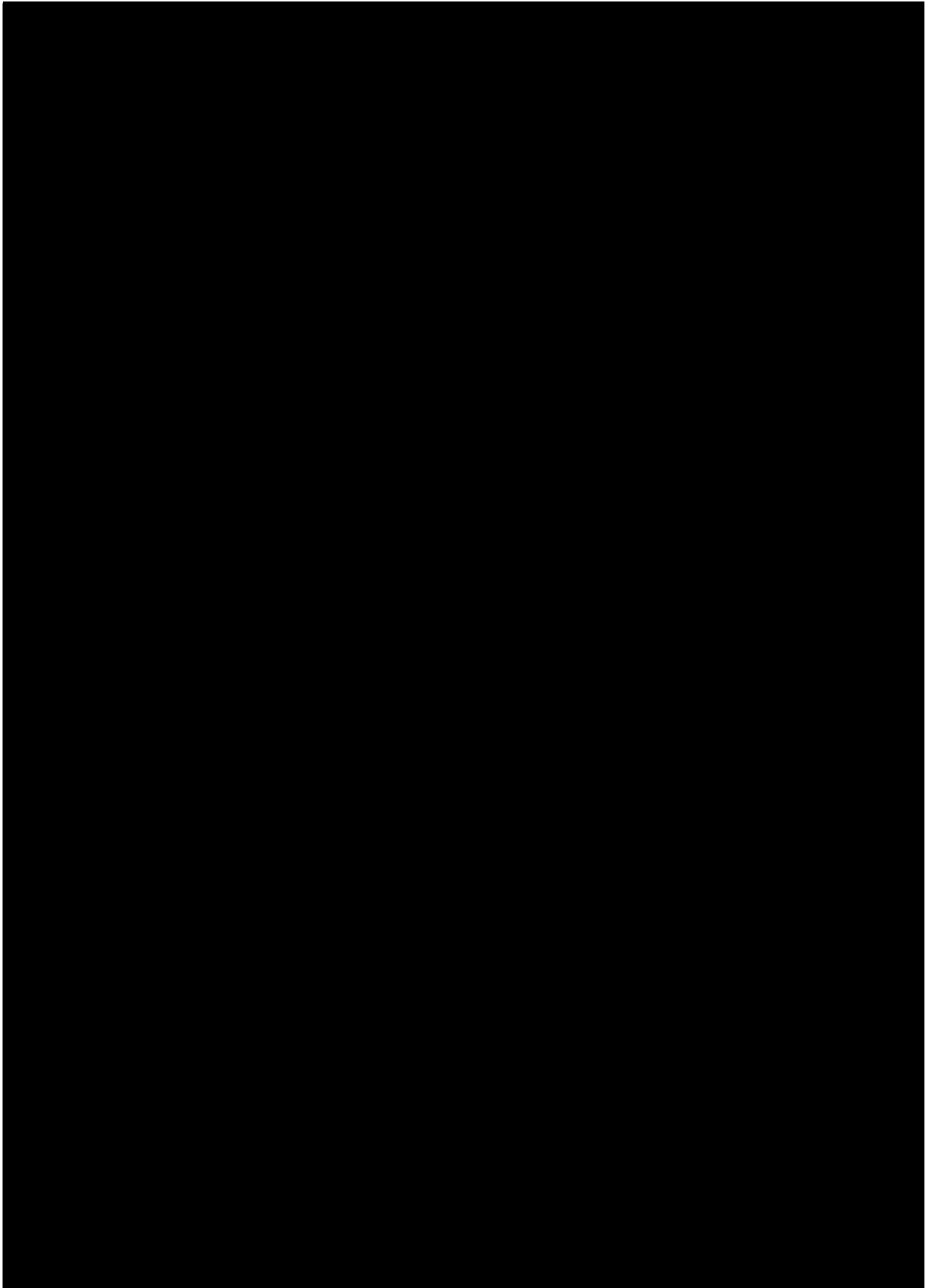
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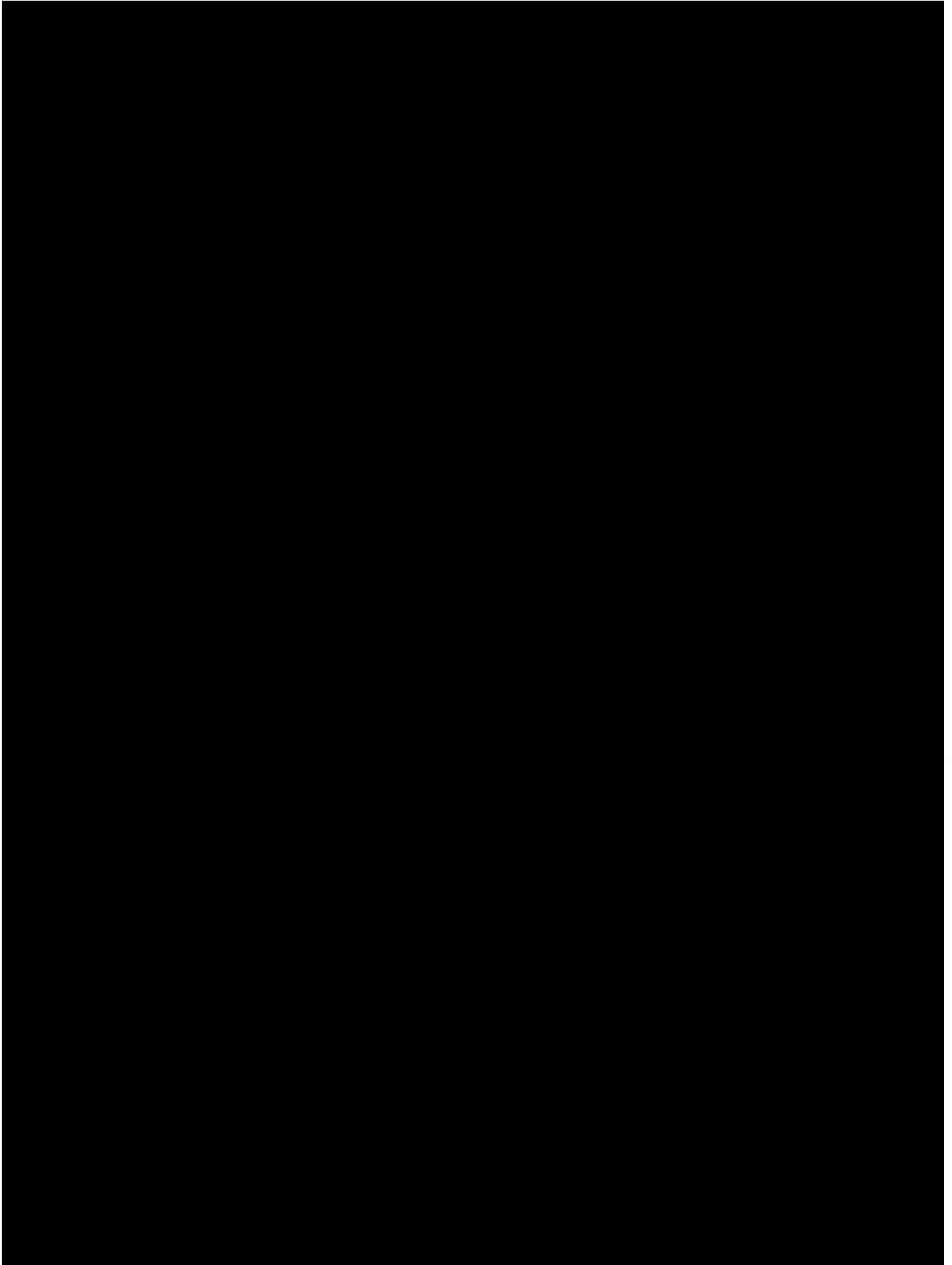
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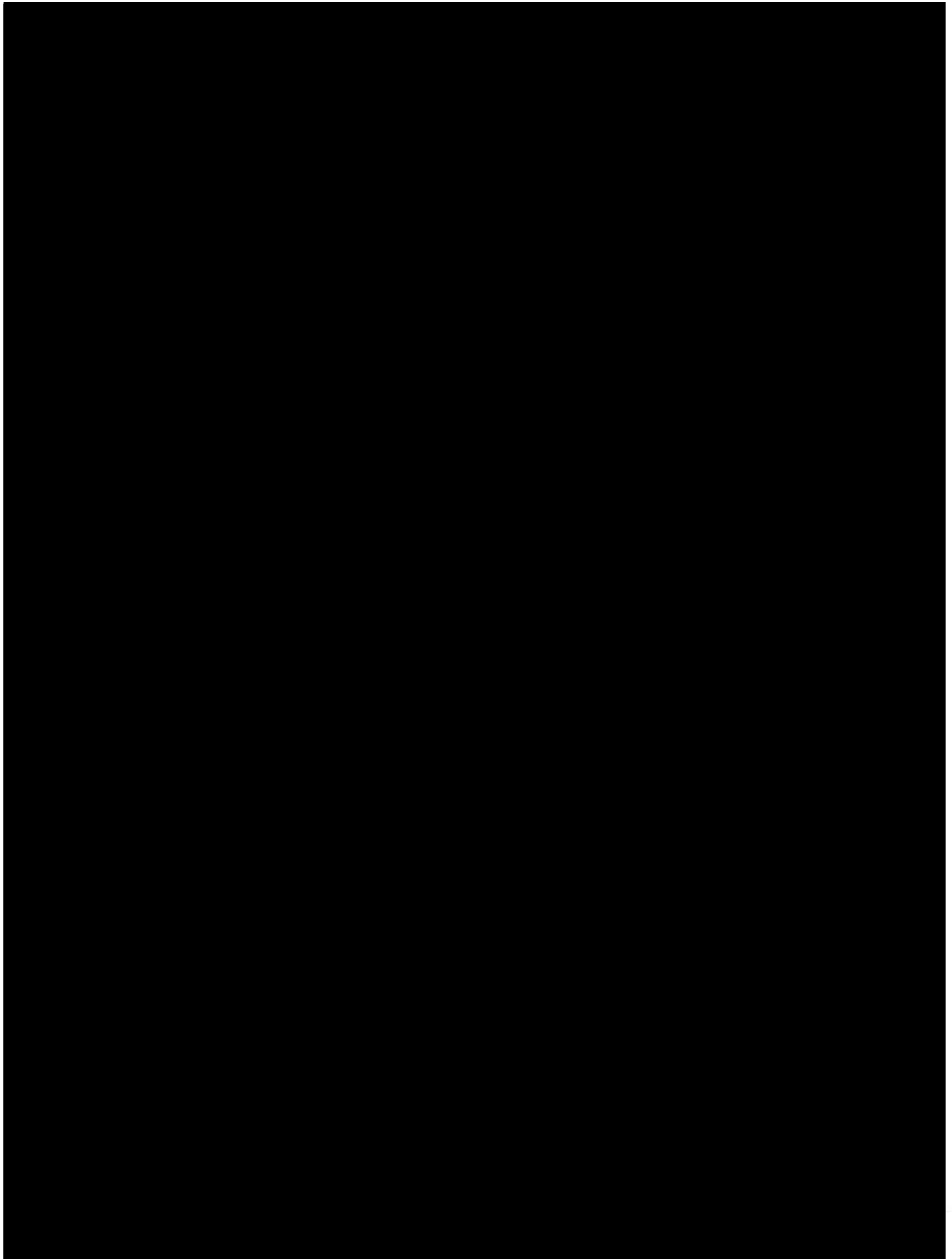
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